

College families overpaid the IRS – again

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Those families who made their best guess as to which of the *Education Tax Incentives* would save them the most on their income taxes have put their 2007 tax returns to bed. However, for many, a sigh of relief is a bit premature. Countless families, even many assisted by professional tax preparers, chose incorrectly and have significantly overpaid the IRS – AGAIN!

Mark Twain once said, “*No man’s life, liberty, or property are safe while the legislature is in session,*” and never have truer words been spoken.

On June 6, 2001, President Bush signed HR 2014 into law. This created *The Tuition and Fees Deduction*, based on Senator Charles E. Schumer's (D-NY) *Make College Affordable Act*. However, the president signed a watered down version and consequently, it doesn't work for the families who need it the most.

Senator Schumer had been tirelessly championing legislation that would have allowed college families, including independent students, to deduct a major portion of their college expenses on their tax returns. The Senator's *Make College Affordable Act* would have given millions of American families the opportunity to deduct up to \$12,000 per year to help reduce the rising costs of tuition and related expenses. Unfortunately, and to the detriment of untold numbers of taxpayers, the *Tuition and Fees Deduction* allowed a mere deduction of \$3,000 for tax years 2002-2003, \$4,000 for tax years 2004-2005; in 2006 it expired, but was resurrected in 2007.

The drastic slashing by Congress of Senator Schumer's bill and President Bush's failure to send it back to them is the case in point substantiating that our government doesn't give a hoot in hell about the financial struggle the average parent endures in their endless pursuit of the American dream for their children.

Effective legislation to make college expenses tax deductible was long overdue and began with the *Tax Payer Relief Act of 1997*, which Senator Schumer supported and voted for. The Act created two education tax credits; the *HOPE Scholarship Credit* (maximum \$1,650 a year for 2 years), and the *Lifetime Learning Credit* (maximum \$1,000 increasing to \$2,000 in 2003).

Note: A tax *deduction* lowers taxable income, and the savings depends on the filer's tax bracket. A tax *credit* directly lowers taxes by the amount of the credit, dollar for dollar, regardless of the filer's tax bracket.

Although it was a step in the right direction, *The Act* fell far too short in providing major tax relief for college families, especially in view of soaring tuition costs and other related expenses that families endure year after year. Nonetheless, the real tragedy is when the *Tuition and Fees Deduction* is taken by taxpayers who qualify for The HOPE Scholarship Credit or The Lifetime Learning Credit, and overpay their taxes by hundreds of dollars each year!

Affluent single and head of household taxpayers whose adjusted gross incomes exceed \$51,000, and joint filers whose AGI exceeds \$102,000, will not qualify for the HOPE Scholarship or Lifetime Learning Credit, and are therefore, the only ones who actually benefit from taking the *Tuition and Fees Deduction*. Thus, camouflaged as tax relief for all of America's college families, what Congress actually did was *Robin-Hoodwink* lower and middle income families by taking from them and giving to the rich!

For over 35 years, noted financial advisor, Reecy Aresty, has helped thousands of high school and college families to obtain the American Dream; a superior education at a cost far less than they ever dreamed possible. He is the author of the highly acclaimed admissions and financial aid manual, ***How To Pay For College Without Going Broke***. For further information on admissions and financial aid, please visit: www.paylessforcollege.com.