

# TAX REFORM AND HIGHER EDUCATION

What Students, Families, and Institutions Need to Know

## Camp Tax Reform Act of 2014 – Students and Families Provisions

Provision	Details	JCT Revenue Estimate (over 10 years)	Other Relevant Legislation & Proposals
<b>Student &amp; Family Education Tax Benefits</b>			
<b>American Opportunity Tax Credit (AOTC)</b>	Modifies and makes permanent the AOTC. Decreases current AOTC income phase out levels for eligibility to \$43,000-\$63,000 for single filer (\$86,000 to \$126,000 for joint filers); increases refundability to 60% of tax credit; includes expansion of Pell Grant exclusion from gross.	-\$8.7 billion	Student and Family Tax Simplification Act (H.R. 3393) by Reps. Black & Davis
<b>Lifetime Learning Credit</b>	Repeals credit.	*included in AOTC estimate	
<b>IRS Form 1098-T</b>	Requires institutions to report amounts paid, rather than amounts billed, on IRS Form 1098-T.		PBR would require reporting amounts paid, rather than amounts billed.
<b>Student loan interest deduction (SLID)</b>	Repeals SLID.	\$13 billion	
<b>Coverdell education savings accounts</b>	Prohibits new contributions.	\$0.2 billion	
<b>Above-the-Line Deduction for qualified tuition and related expenses</b>	(EXTENDER, Expired December 31, 2016)  The discussion draft neither made permanent nor extended this provision. This deduction allows eligible taxpayers to deduct up to \$4,000 in tuition expenses as an above-the-line exclusion from income.	\$596 million over 10-years (2014-2024)	One year extension included in the PATH Act enacted on December 15, 2015.

<b>Exclusion of income from US savings bonds used to pay higher education tuition and fees.</b>	Repeals provision. Under current law, interest on United States savings bonds is excluded from income if used to pay qualified higher education expenses. Only taxpayers with MAGI below certain (inflation-adjusted) levels qualify for the exclusion. For 2014, the exclusion phases out between \$113,950 and \$143,950 for joint returns and between \$76,700 and \$91,000 for other returns.	\$0.1 billion over 10-years 2014-2023	
<b>Modifies the age test for a qualifying child</b>	Current law requires an age test for a qualifying child to claim deductions or exemptions. In general, a child must be under age 19 or under age 24 in the case of a full-time student. The legislation would modify the age test to allow only a child that has not attained age 18 to qualify. It should be noted that the proposal repeals the deduction for personal exemptions, but for other remaining provisions for taxpayers with qualifying children, there would be no accommodation for full-time students.		
<b>Expansion of Pell Grant exclusion from gross income</b>	Current law requires that qualified scholarships, including Pell Grants, are excluded from gross income if used for qualified tuition and related expenses. The legislation would exclude all Pell grants from gross income regardless of use.	*Included in AOTC estimate	
<b>Repeal of exclusion for discharge of student loan indebtedness</b>	Repeals the tax exclusion for student loan debt forgiven for individuals that worked for a specified time period in certain professions or for a class of employers. This tax exclusion applies to several federal and state loan forgiveness programs, including the Public Service Loan Forgiveness (PSLF) for borrowers working in government and certain nonprofit jobs, the Teacher Student Loan Forgiveness Program (TEACH), and the National Health Services Corps Loan Repayment Program.	\$1.1 billion	
<b>Exemption from FICA taxes for students</b>	Repeals exemption from FICA taxes for students employed by a school, college, or university. Exemption would be limited to the student's earnings that are less than the amount needed to receive a quarter of Social Security coverage for the year (\$1,200 for 2014).	\$13.0 billion	