

Tax Tips

Higher Education Pays At Tax Time

(NAPSA)—Here's news that will get high marks with parents of college students. They can reduce their tax bills by getting credits, or deductions for college-related expenses. Yes, even the Internal Revenue Service (IRS) can save students and their parents money at tax time, in some cases even thousands of dollars.

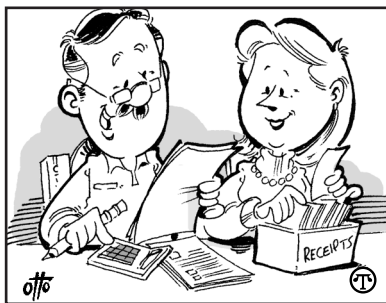
More than 70 percent of people who file a federal tax return receive a refund. And for taxpayers with college expenses, it could mean an even bigger refund by taking advantage of certain tax credits for tuition and fees incurred at college.

"At tax time, college pays you," says Martha Holler, Sallie Mae spokeswoman. "The first step is to clearly understand what tax benefits you might be eligible for. Educate yourself on how to save big on education-related items by going to www.CollegeAnswer.com, or consult a financial advisor."

Money in Your Pocket

There are four education-related items available to taxpayers: the Tuition and Fees Tax Deduction, the Student Loan Interest Tax Deduction, the Hope Scholarship Tax Credit and the Lifetime Learning Credit. While the IRS has some restrictions on how these benefits can be taken in combination, the Student Loan Interest Deduction can be taken in combination with any other education-related benefit.

Individuals are allowed to deduct up to \$4,000 in tuition and



Do Your Homework—Taxpayers can save thousands of dollars by taking advantage of certain tax credits for tuition and fees incurred at college.

fees, and up to \$2,500 in student loan interest, depending on their income level. The Hope Scholarship Tax Credit is a nonrefundable credit of up to \$1,500 for each eligible college freshman and sophomore student in the household. The Lifetime Learning Credit provides up to \$2,000 of tax credit per family for anyone in college. And there is no limit on the number of years you can claim this credit.

Publication 970 from the IRS (<http://www.irs.gov/pub/irs-pdf/p970.pdf>) provides detailed information on tax benefits for education and eligibility criteria. For more information on tax benefits for education, visit Sallie Mae's www.CollegeAnswer.com or the IRS Web site at www.irs.gov.

"Students and families do a lot of careful planning to pay for college," says Holler. "Now is the time to reap the rewards and reduce your tax bill."