

Statement of the  
**National Association of College and University Business Officers**  
to the  
House Committee on Ways and Means  
Tax Reform Working Group on  
Education and Family Benefits  
on  
*Preservation and Simplification of Higher Education Tax Benefits*

April 10, 2013

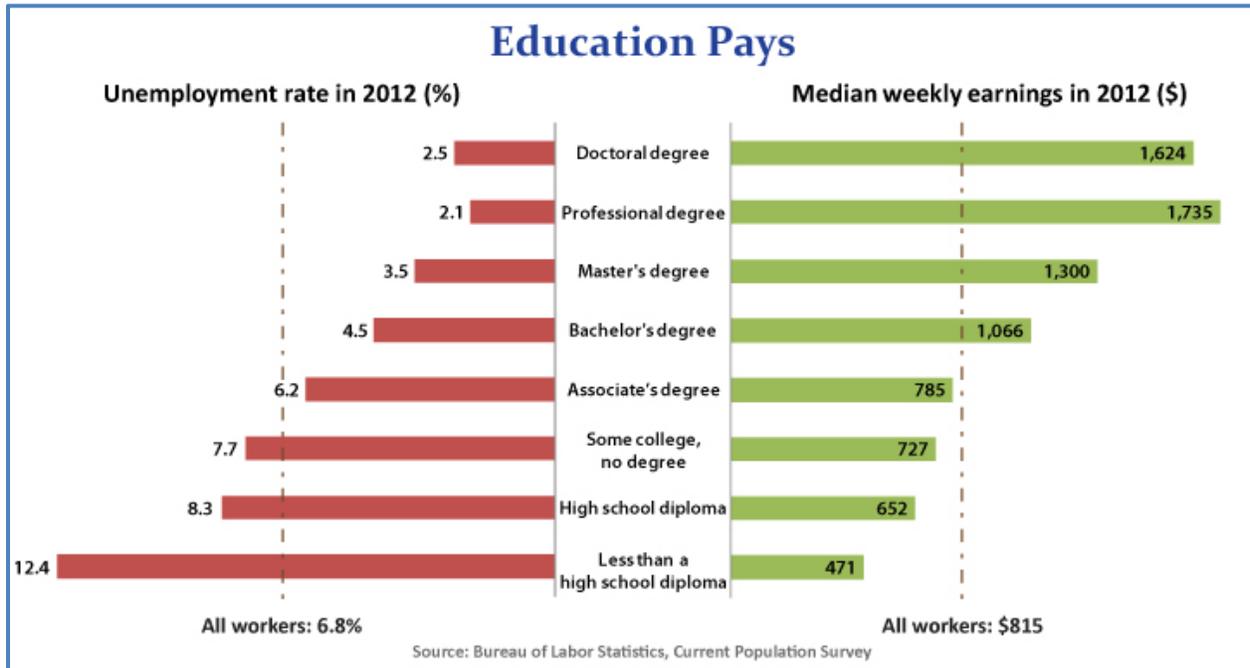


**National Association of College and University Business Officers**

*NACUBO's membership includes the chief business, financial and administrative officers at nearly 2,200 colleges and universities.*

## Education Benefits Individuals and Society

The teaching, research, and public service missions of colleges and universities provide society with an educated citizenry; a skilled, productive workforce; and new innovations and technologies to improve quality of life. They also strengthen our nation's security and fuel economic growth. The chart below illustrates the beneficial relationship earning a college degree has on unemployment.



Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers.

Source: Bureau of Labor Statistics, Current Population Survey.

Last Modified Date: January 28, 2013

### **About NACUBO**

NACUBO was established in 1962 to promote sound financial management in higher education and provides its members and others information and technical assistance in the field of higher education management and financial administration. NACUBO represents nonprofit and public institutions to policy makers and standard-setting agencies, providing comments and opinions on a wide range of issues. NACUBO advocates for fair and equitable treatment under federal laws and regulations, particularly on those requirements that address financial administration and management of colleges and universities.

The annual NACUBO-Commonfund Study of Endowments® is the most comprehensive analysis of investment management at the nation's institutions of higher learning. NACUBO also annually publishes the Student Financial Services Benchmarking Study and the Tuition Discounting Study, which measures tuition discounts and institutional grant awards at four-year private nonprofit colleges and universities.



## **PRESERVE & SIMPLIFY HIGHER EDUCATION TAX BENEFITS**

- **Saving for College: Preserve the tools that encourage and help families save for college—Coverdell Education Savings Accounts and Section 529 College Savings Plans.**

**Coverdell Education Savings Accounts (ESAs)** allow parents and students to save for education expenses. While the contributions to a Coverdell ESA are not deductible, the amounts deposited grow tax free until distributed. The student will not owe taxes on the distributions if they are less than the student's qualified educational expenses. Coverdell ESAs currently allow annual contributions of up to \$2,000.

**Section 529 College Savings Plans** encouraged States to develop and promote robust savings plans; States often match federal tax incentives. Qualified distributions from 529 plans for qualified higher education expenses are exempt from federal income tax.

- **Paying for College: Simplify and adjust the incentives that help students and families pay for college and employers build a skilled workforce.**

Taxpayers would benefit from simplification of the current system through the creation of a single, permanent tax credit with automatic inflation adjustments, making them easier to use and more effective. A single, permanent, refundable credit, available beyond the first four years of college, would negate the need for the separate higher education provisions that currently include the American Opportunity Tax Credit, Hope tax credit, Lifetime Learning Credit, and the Tuition Deduction.

- **Building a Skilled Workforce: Section 127 should be enhanced to allow employers to offer higher levels of tax-favored tuition assistance to their employees.**

### **Employer-Provided Educational Assistance Benefits (Section 127)**

This benefit allows an employer to offer an employee up to \$5,250 per year in tax-free educational assistance for undergraduate or graduate-level courses. It covers tuition, fees, books, supplies, and equipment. Section 127 should be expanded to enable employers to offer higher levels of tax-favored tuition assistance to employees. The annual limit of \$5,250 has remained stagnant since its inception in the 1970s and should be increased with an automatic adjustment for inflation.

- **Repaying Student Loans: The Student Loan Interest Deduction should be expanded.**

### **Student Loan Interest Deduction**

Currently, the Student Loan Interest Deduction allows certain individuals to deduct up to \$2,500 in student loan interest, with a phase-out for certain taxpayers. Recent federal actions have increased the borrowing costs for students and recent graduates by implementing interest charges for graduate students while they are in school and by eliminating the 6-month interest forgiveness college graduates have traditionally received. With these increased loan costs, the deduction for student loan interest becomes even more important and should be expanded.

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## UNDERSTANDING IRS FORM 1098-T

The Taxpayer Relief Act of 1997 requires colleges and universities to report a student's enrollment status, qualified educational expenses, and grant aid in order to assist taxpayers and the IRS in determining a tax filer's eligibility for education tax credits. IRS Form 1098-T serves this purpose, with institutions furnishing a statement to the student and filing copies with the IRS.

Unlike other information returns, such as the Form 1098 Mortgage Interest Statement, Form 1098-T does not provide information that can be directly inserted onto a taxpayer's return. Instead, the form serves as a threshold verification of a student's enrollment status at an eligible institution and delineates the portion of the student's charges attributable to "qualified tuition and related expenses." It also provides information on grant aid administered by the institution.

Form 1098-T helps taxpayers calculate what amounts for qualified expenses they may be able to claim for a federal tax benefit and serves as a timely reminder to claim a credit. However, the amounts reported on the Form 1098-T can rarely, if ever, be plugged directly onto Form 8863, Education Tax Credits, without the taxpayer's individual analysis of their other eligibility factors (i.e., AGI limits), and substantiation of amounts paid for qualified expenses during that tax (calendar) year.

Although they are qualified expenses for purposes of the American Opportunity Tax Credit, payments for books and supplies are typically not reflected in a student's college or university account and are not tracked by the institution. Taxpayers need to use their receipts to verify these additional expenses. Note: Books and supply expenses are considered eligible for purposes of the Lifetime Learning Tax Credit only if they are required and paid to the institution.