

Fiscal Cliff Legislation: American Taxpayer Relief Act of 2012 (H.R. 8) Tax Provisions Impacting Higher Education

1. Higher Education Access Provisions

- **American Opportunity Tax Credit (AOTC) (IRC Sec. 25A)**
 - **Nine million claimed (2009)**
 - \$2,500 tax credit per eligible student for qualified education expenses for an individual earning up to \$80,000 (\$160,000 for joint filing), phasing down to \$1,875 for those earning \$90,000 (\$180,000 for joint filing)
 - Eligible expenses: tuition, fees, and required course materials
 - Forty percent refundable
 - First four years of postsecondary education
 - **Five-year extension (expires Dec. 31, 2017)**
 - **Cost = \$67.3 billion over 10 years (Joint Committee on Taxation [JTC] January 2013)**
- **Employer-provided Educational Assistance Benefits (IRC Sec. 127)**
 - **1 million employees benefited (2007-08 academic year)**
 - Up to \$5,250 in tax-free employer provided educational assistance per year
 - Eligible expenses: tuition, fees and similar expenses, books, supplies, and equipment
 - **Permanent extension**
 - **Cost = \$11.5 billion over 10 years (JCT January 2013)**
- **Student Loan Interest Deduction (SLID) (IRC Sec. 221)**
 - **9 million claimed (2009)**
 - Deduction of up to \$2,500 in student loan interest
 - Eligible: tuition, fees, course materials, room and board, and other necessary expenses
 - **Permanent extension**
 - **Cost = \$9.7 billion over 10 years (JCT January 2013)**

- **Coverdell Education Savings Accounts (ESA) (IRC Sec. 530)**
 - Save up \$2,000 annually tax-free
 - Eligible expenses: tuition, fees, course materials, and room and board
 - **Permanent extension**
 - **Score = \$271 million over 10 years (JCT January 2013)**
- **Above-the-Line Deduction for Qualified Tuition and Related Expenses (IRC Sec. 222)**
 - **1.7 million claimed (2009)**
 - Maximum deduction is \$4,000 for an individual earning up to \$65,000 (\$130,000 for a joint filer), phasing down to \$2,000 for those earning \$80,000 (\$160,000 for a joint filer)
 - Eligible expenses: tuition and fees
 - **Two year extension retroactive to Dec. 31, 2011 (expires Dec. 31, 2013)**
 - **Cost = \$1.7 billion over 10 years (JCT January 2013)**

2. Charitable Giving Provisions

- **Itemized Deduction Limitation for Certain Taxpayers (IRC Sec. 68)**
 - Reinstates the so-called “Pease Limitations” on itemized deductions, named after the Congressman who authored it
 - Reduces the deductibility of most itemized deductions, including charitable deductions, by the lesser of three percent of adjusted gross income above a specified threshold or 80 percent of a person’s itemized deductions
 - Limitation applies to individuals with income of at least \$250,000 and couples with income of \$300,000 or more
- **IRA Charitable Rollover (IRC Sec. 408)**
 - Permits IRA owners to make charitable gifts totaling up to \$100,000 per year from their IRAs directly to eligible charities, including colleges and universities.
 - **Two-year extension retroactive to December 31, 2011 (expires Dec. 31, 2013)**
 - **Cost = \$1.3 billion over 10 years (JCT January 2013)**

Jan. 10, 2013