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Qualified Tuition and Related Higher Education Expenses Income Tax Deduction Internal Revenue Code Section 222

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The University of Wisconsin-Madison

Vanderbilt University

Washington University in St. Louis

Yale University

What is It?

- The qualified tuition and related higher education expenses deduction allows students or parents to deduct up to \$4,000 in qualified higher education expenses from their taxable income. The deduction was last extended for one year as part of the American Taxpayer Relief Tax Act of 2012 and it expired on December 31, 2013.
- To claim the deduction, a student must be enrolled in one or more courses at the undergraduate or graduate level at an accredited postsecondary institution. Single filers with an adjusted gross income of up to \$65,000 (up to \$130,000 for joint filers) can deduct up to \$4,000 per year. Individuals earning up to \$80,000 (up to \$160,000 for joint filers) can deduct up to \$2,000 per year. This deduction is available for taxpayers who file on behalf of themselves, their spouse, or their dependents. It is not available for married individuals who do not file a joint return or for individuals for whom another taxpayer may claim as a personal exemption for the taxable year.
- The deduction is reduced by certain scholarships and educational assistance allowances. It is also reduced by the amount of educational expenses paid for with certain educational savings bonds and Coverdell education savings accounts.
- Unlike other tax incentives, this is an “above-the-line” deduction, which makes it available to taxpayers regardless of whether they claim the standard deduction or itemize deductions when filing their income tax return.

Who Benefits?

- The deduction is designed to make postsecondary education and training affordable for moderate-income students. Most traditional student financial aid programs target low- and moderate-income students and families. Tax incentives, like the tuition deduction, benefit students who may not be eligible for Pell Grants, but still need assistance to afford higher education. Graduate students also benefit from the deduction, especially since they are not eligible for Pell Grants or the American Opportunity Tax Credit.
- According to the most recent analysis of IRS Statistics of Income data (2010), approximately 938,000 taxpayers benefited from the tuition and fees tax deduction.
- According to the Department of Labor, each additional year of postsecondary education, whenever undertaken, adds between six and 12 percent to an individual’s annual income.

Additional Information

- Joint Committee on Taxation Report, JCX-62-12, "Present Law and Background Relating to Tax Exemptions and Incentives for Higher Education" – www.jct.gov/publications.html?func=startdown&id=4474.
- GAO Study “Multiple Higher Education Tax Incentives Create Opportunities for Taxpayers to Make Costly Mistakes” – waysandmeans.house.gov/media/pdf/110/GAO5108.pdf.