Through teaching, research and innovation, and public service, America’s colleges and universities make critical contributions to our society. Students who graduate from a college or university enjoy higher lifetime earnings, better health, and greater civic engagement. In addition, colleges and universities are often the largest and most stable employers in their communities, offering good wages and benefits. Traditional nonprofit public and private colleges and universities historically have been granted tax-exempt status, which permits them to use more resources to fund the educational activities, academic research, student financial aid, and community programs that fulfill their core missions of teaching, research, and public service. The Federal Tax Code impacts colleges and universities’ missions through provisions affecting, among other things, aid to students; incentives for charitable giving; tax-exempt financing; unrelated business income; and the R&D tax credit.

The following are key provisions of the Tax Code affecting colleges and universities and their students and employers:

**Aid to Students and Families - Saving for College**
- Coverdell Education Savings Accounts (Section 530)
- Education Savings Plans (Section 529)

**Aid to Students and Families - Paying for College and Managing Debt**

**Tuition and Related Expenses**
- American Opportunity Tax Credit (AOTC) (Section 25A)
- Lifetime Learning Credit (Section 25A)
- Qualified Scholarship Exclusion (Section 117)
- Above-the-Line Tuition Deduction (Section 222) – expired on December 31, 2017

**Employment-Related Tax Benefits**
- Employer-Provided Educational Assistance (Section 127)
- Employer-Provided Qualified Tuition Reduction (Section 117(d))

**Student Loan Tax Relief**
- Student Loan Interest Deduction (SLID) (Section 221)
- Federal Loan Forgiveness Programs (Income-Based Repayment and Income Contingent Repayment) (Section 108)

**Incentives for Charitable Giving**
- Charitable Income Tax Deduction (Section 408)
- IRA Charitable Rollover (Section 408)

**Additional Tax Code Provisions**
- Tax-Exempt Bonds (Section 103 and Section 141)
- R&D Tax Credit (Section 41)
- Unrelated Business Income Tax (UBIT) (Section 501)
Aid to Students and Families – Saving for College

❖ **Coverdell Education Savings Accounts (Section 530)** – Under Section 530, individuals can contribute up to $2,000 annually tax-free to pay for qualified education expenses of a designated beneficiary until the designated beneficiary reaches age 18 (except in the case of a special-needs beneficiary). Individuals remain eligible to contribute with a modified adjusted gross income between $95,000 and $110,000 (between $190,000 and $220,000 for joint filing). Qualified higher education expenses for Coverdell accounts are the same as the qualified expenses for 529 plans.

❖ **Section 529 Education Savings Plans (Section 529)** – Under Section 529, states are authorized to sponsor “Qualified Tuition Programs” that are tax-advantaged savings vehicles for qualified post-secondary education expenses, such as tuition, fees, books, required supplies, computer equipment and technology, and room and board. There are two types of 529 Plans: savings plans, which allow families to save for expenses, and pre-paid tuition programs, which generally allow families to make advance tuition payments to cover future attendance at a designated in-state public college or university system. Any U.S. resident or citizen, regardless of income, can open an account. Investments grow on a tax-deferred basis; earnings are free of federal income tax and redemptions are also exempt from federal income tax if used to pay for qualified education expenses.

Aid to Students and Families – Paying for College & Managing Debt

Tuition and Related Expenses

❖ **American Opportunity Tax Credit (AOTC) (Section 25A)** – Under Section 25A, the AOTC provides for a maximum tax credit of $2,500 that may be claimed for qualified tuition, fees, and required course materials expenses of each student in a taxpayer’s family. To use the credit, a student must be enrolled: at least half-time; during the first four years of postsecondary education; and in a program leading to a degree, certificate, or other recognized credential. The AOTC is subject to an income phase-out between $80,000 and $90,000 for individuals and between $160,000 and $180,000 for joint filers.). Up to 40% of the AOTC is refundable. The AOTC was made permanent by the Protecting Americans from Tax Hikes (PATH) Act of 2015.

❖ **Lifetime Learning Credit (Section 25A)** – This is a permanent non-refundable tax credit under Section 25A, the credit is a non-refundable tax credit. Under this credit, a taxpayer can claim up to 20 percent of the taxpayer’s first $10,000 – for a maximum of $2,000 (not indexed for inflation) – of qualified tuition and fees paid for all eligible students in a family during each calendar year. In contrast to the AOTC, there is no limit on the number of years that the credit may be claimed for each student; also in contrast, eligible expenses are limited to tuition and fees paid for the student. The credit can be claimed for a student enrolled in an undergraduate or graduate degree program or any course of instruction at an eligible school to acquire or improve the student’s job skills. The credit phases out for a taxpayer with a modified adjusted gross income between $55,000 and $65,000 (between $110,000 and $130,000 for joint filers) and the income phase-outs are adjusted for inflation.
联邦高等教育税收规定

- **合格奖学金排除（Section 117）** — 根据第117节，奖学金、奖学金和援助资金（包括佩尔奖学金）从应税收入中排除，这些资金用于支付学费和费用、书籍、用品和设备。但是，用于生活费用的资金，如住宿和餐饮，不从收入中排除，因此应受税。此外，奖学金、奖学金和援助资金通过为教学或研究服务而获得的，应受税。

- **进行纳税的学费扣除（Section 222）** — 2017年12月31日到期。根据第222节，进行纳税的学费扣除，允许学生或父母每年为合格学费和相关费用从应税收入中扣除最高4,000美元。符合条件的支出仅限于支付学费。要申请扣除，学生必须在一、一个或多个课程中全职或半时注册。扣除受到收入阶段的限制，对于收入不超过80,000美元（联合申报人160,000美元）的纳税人。

**雇员相关税收福利**

- **由雇主提供的教育援助（Section 127）** — 根据第127节，雇主可向员工提供每年最高5,250美元的免税教育援助，用于本科生或研究生水平的课程。税务免费教育援助包括支付学费、费用和类似费用、书籍、用品和设备的支付。这些支付不必须与工作相关。第127节由美国纳税人减税和就业税收法案2012年永久性延长。

- **由雇主提供的大学学费减免（Section 117(d)）** — 根据第117(d)节，高等教育机构，包括学院和大学，可以为员工及其配偶和依赖者提供学费减免，这些减免从应税收入中排除。这项有悠久历史的条款帮助员工和他们的家庭支付大学学费。由于这样，该福利为学院和大学提供了一个重要的工具，用于吸引和保留有价值的员工，包括教师、行政人员、维护和清洁人员。同样重要的是，许多大学为这些研究生学生提供非应税的学费减免，第117(d)(5)款；废除这一条款将导致数千名研究生学生蒙受重大税负和潜在的增加学生债务，因为这些学生中的大部分是低收入者，他们将被逼迫贷款来支付这些税。

**学生贷款税务减免**

- **学生贷款利息扣除（SLID）（Section 221）** — 根据第221节，免税扣除允许应税收入在65,000至80,000美元（联合申报人130,000至160,000美元）的纳税人每年从中扣除联邦学生贷款利息支付2,500美元。要申请扣除，贷款必须是用于支付合格教育费用的，例如学费和费用、住宿和餐饮、书籍。SLID是一个调整应税收入的扣除，即使纳税人不申请扣除。

[www.aau.edu](http://www.aau.edu) | @AAUniversities  | August 2018
Federal Loan Forgiveness Programs (IBR and ICR) (Section 108) – The federal government under Section 108 offers four major federal student loan forgiveness programs. Under the terms of two them – the Public Service Loan Forgiveness (PSLF) and the Teacher Loan Forgiveness Program (TEACH) – the amount of the loan forgiven is not subject to federal income tax. This is not the case for the other two programs – Income Based Repayment (IBR) and Income Contingent Repayment (ICR). Rather, a borrower who receives loan forgiveness is subject to income tax on the amount of the loan forgiven.

Incentives for Charitable Giving

Charitable Income Tax Deduction (Section 408) – Tax law under Section 408 permits taxpayers to partially deduct gifts made to charities organized under Tax Code Section 501(c)(3). Although donors make charitable gifts for many reasons, it is well established that the charitable tax deduction is an effective incentive that helps generate and sustain donations. Charitable deductions are generally limited to no more than 60 percent of a taxpayer’s AGI. In this challenging economic climate, charitable gifts are an increasingly critical source of support for colleges and universities. In 2017, colleges and universities received $43.6 billion in charitable gifts to support their missions of teaching, research, and public service. Some gifts are used to fund current operations; however, many gifts are given specifically to an institution’s endowment to support specific purposes or activities – such as student scholarships or medical research – for many years to come.

IRA Charitable Rollover (Section 408) – The IRA Charitable Rollover tax incentive allows individuals age 70½ and older to donate up to $100,000 per tax year directly from their Individual Retirement Accounts (IRAs) and Roth IRAs to public charities, including colleges and universities, without having to count the distributions as taxable income. The IRA Charitable Rollover is an important addition to the federal income tax code that further incentivizes charitable giving. It is particularly beneficial to so-called “non-itemizers” – individuals who do not itemize tax deductions. The IRA Charitable Rollover was permanently extended by the 2015 PATH Act.

Additional Tax Code Provisions

Tax-Exempt Bonds (Section 103 and Section 141) – Under Tax Code Section 103(a), the interest earned on tax-exempt bonds issued by state and local governments is generally exempt from tax. State and local governments can issue two kinds of tax-exempt bonds referred to as governmental bonds and qualified private activity bonds. Colleges and universities use these financial instruments to acquire, construct or expand their capital infrastructure, ranging from academic buildings and residence halls to energy plants and athletic facilities. The interest rate on tax-exempt bonds is usually lower than on taxable bonds and these lower interest rates can create substantial savings by reducing the cost of expensive construction projects. Tax-exempt bonds must meet specific requirements, however. In order for a bond to maintain tax-exempt status under Section 141, for example, private business use of a tax-exempt bond-financed project cannot exceed ten percent. Activity conducted under research partnerships between universities and private entities can contribute to this private business use limit, although Treasury regulations provide narrow safe harbor provisions for public-private research.

R&D Tax Credit (Section 41) – The R&D tax credit is a business tax credit under Section 41 for qualified research expenses that can be deducted from overall corporate income taxes. Current law allows companies to claim the credit for R&D activities conducted at universities or other qualifying organizations, including research consortiums which may include universities. Universities benefit indirectly from the R&D tax credit.
The tax credit encourages industry to take on new R&D challenges that are important to industry but also well-suited to academic research. When companies contract with universities to conduct R&D, faculty and students benefit from receiving complex academic and practical research problems and the financial support to study them. The R&D tax credit, in turn, promotes greater collaboration between industry and universities, including employment opportunities for students and graduates. The R&D tax credit also fosters start-up companies, many of which grow out of new technologies developed at universities.

❖ **Unrelated Business Income Tax (UBIT) (Section 501)** – Although colleges and universities are tax-exempt entities, under Section 501 they are subject to tax on any unrelated business income they may generate. Recurring UBIT issues for higher education institutions include: 1) determining whether a particular activity is educational in nature, and therefore, qualifies for tax-exempt treatment; and 2) determining whether a non-educational activity is exempt from UBIT because income from the activity fits within a statutory exemption. An example of a university income-generating activity that is subject to UBIT is income from sales of non-educational materials such as CDs, DVDs, and other gift items by a campus bookstore.