



# ***Information Release***

**For Release:** Immediate Release  
**Date:** March 13, 2008  
**Subject:** Business / Tax / Financial / Personal Finance / Consumer Interest  
**Media Contacts:** Nancy Kuenster, Editor/Public Relations Coordinator  
720 Association Drive, PO Box 8002, Appleton, WI 54912-8002  
Phone: 920.749.1040 or 800.558.3402, ext. 1172  
E-mail: [nkuenster@natptax.com](mailto:nkuenster@natptax.com)

## **Covering the Cost of College While Saving Tax Dollars**

**National Association of Tax Professionals (NATP) Appleton, WI** – Saving for college should ideally take place well before your child reaches college age, but for many reasons that isn't always possible. Whether you have years to go before your children are ready for college or you already have a coed in the house, there are options available to help minimize your expenses by taking advantage of tax benefits. Below are some suggestions to get you started:

- A Qualified Tuition plan, also called a Section 529 plan, is a trust naming your child as the beneficiary. Contributions to the trust are considered taxable gifts; however, you can contribute up to \$12,000 annually (\$24,000 if your spouse also contributes) and escape the gift tax. If you contribute more, you can treat the gifts as if they are made over a five-year period. The earnings on the contributions accumulate tax-free until the college costs are paid from the funds. Distributions are tax-free to the extent the funds are used to pay qualified higher education expenses.
- You can establish a Coverdell Education Savings Account (ESA) and make contributions of up to \$2,000 for each child under the age of 18. Although you can't deduct contributions, distributions - including earnings - are tax-free if spent on higher education expenses. If the child doesn't attend college, the money must be withdrawn when the child turns 30, or

transferred tax-free to a Coverdell ESA of another member of the child's family who hasn't reached age 30.

Tuition tax credits will help save you tax dollars once the tuition bills arrive. Tax credits reduce your tax liability dollar for dollar. There are two different credits available:

- The Hope Tax Credit is available up to \$1,650 in 2007 per student for the first two years of college. This equals a 100-percent credit for the first \$1,100 in tuition and a 50-percent credit for the second \$1,100.
- A Lifetime Learning Credit is available up to \$2,000 per family for every additional year of college or graduate school. This equals a 20-percent credit for up to \$10,000 in tuition for 2007.

Some deductions are also available. Deductions reduce your overall taxable income, which ultimately reduces your tax bill.

- You can deduct up to \$2,500 of the interest on loans used to pay for your child's college education. The deduction is available even if you don't itemize.
- Through 2007, you may be permitted to take an above-the-line deduction of up to \$4,000 for college tuition and related expenses that you pay. Your income must be less than \$65,000 (\$130,000 if filing a joint return). If your income is over these limits, you are allowed a deduction up to \$2,000. You are allowed no deduction if your income exceeds \$80,000 (\$160,000 if filing a joint return).

Professional tax preparers are experts who keep current on tax law changes. They can save you time and offer insight on how to use the tax breaks available to you. Membership in NATP offers added assurance that the tax professional is committed to excellence in the tax profession. NATP members dedicate themselves to continued education and a high code of ethics and professional conduct.

Members of the National Association of Tax Professionals (NATP) work at offices that assist over *11 million taxpayers* with tax preparation and planning. *The average NATP member has been in the tax business for over 20 years and holds a tax/financial designation and/or a college degree.* NATP has more than 18,600 members nationwide. Members include individual tax preparers, enrolled agents, certified public accountants, accountants, attorneys, and financial planners. Learn more at [www.natptax.com](http://www.natptax.com).

NATP is a nonprofit professional association founded in 1979 to serve professionals working in all areas of tax practice through professional education, tax research, and products. The national headquarters, located in Appleton, WI, employs over 40 staff members.

**FREE OFFER:** Recipients of this release may offer and provide a link to the free “**How to Find the Right Tax Preparer**” brochure with any broadcast of this information. Are you interested in other federal tax topics? Visit NATP’s press room at

[http://www.natptax.com/press\\_room.html](http://www.natptax.com/press_room.html), or call 800.558.3402, ext. 3.

# # end # #