

Armchair college fair

Tax breaks help out middle-class students

By Rob Cullivan
Staff writer

During his State of the Union address this year, President Bill Clinton briefly spoke of his desire to ensure that any citizen can obtain a higher education.

"We can make college as universal as high school is today," the president said.

The president referred to some new federal initiatives for students, and students' families, that can alleviate the financial burden a college education imposes, according to Dan Madzellan, program analyst for the U.S. Department of Education.

In a phone interview with the *Catholic Courier* from his Washington, D.C., office, Madzellan noted that poor and lower middle-class students often qualify for government grants and other forms of financial aid that enable them to go to public and private colleges.

"The general rule is the less you have, the more you get," he said.

For example, he said, many low- and middle-income students may qualify for Pell Grants, which will increase from \$2,700 to \$3,000 per student on July 1.

"Ninety percent of Pell recipients' incomes are under \$30,000 a year," he said.

However, he said, 1998 is the year of new initiatives directed at middle-class families who also need help to send their kids to college — but whose higher incomes generally disqualify them from aid programs like Pell.

For example, families eligible for the "Hope Scholarship Credit" may qualify for tax credits of up to \$1,500 per year per student in a family for the student's first two years of college. The amount

of the credit is determined by income, as well as the cost of tuition in a student's first year, Madzellan said. The credit is available to families with students who have enrolled and paid tuition at a college after Jan. 1, 1998.

Madzellan said colleges and universities will inform families how they can file for a Hope Scholarship Credit at the beginning of next year's tax season.

He added that the credit is designed to ensure that everyone in the country can have a shot at attending a two-year community college. He pointed out that the average yearly cost of tuition and fees at a publicly funded two-year college in the United States is \$1,501.

Families may also use a "Lifetime Learning Credit" that becomes available July 1. This tax credit is available to



college juniors, seniors, graduate and professional degree students, he said. It is also available to adults who want to go back to school, change careers, or take courses to upgrade their skill.

A family or a financially independent adult student can receive a 20 percent

tax credit for the first \$5,000 of tuition and required fees paid each year through 2002, and for the first \$10,000 thereafter.

Madzellan stressed that there are certain restrictions attached to each initiative. For example, he said, a Pell Grant recipient could not take advantage of the Hope Scholarship Credit or a Lifetime Learning Credit.

Madzellan also pointed out that any family may now deposit \$500 — in after-tax income — per year into an education

Individual Retirement Account in a child's name. Interest on these accounts is tax-exempt if used for higher education, he said. Deposits may be made up until the child's 18th birthday, he added.

In addition, taxpayers may now withdraw funds from a regular IRA, without penalty, for their own higher education expenses or those of a spouse, child or grandchild, Madzellan noted.

The Clinton administration is also pushing several other proposals to expand college opportunities that may be enacted in 1999 and beyond, according to the education department.

Reducing and eliminating student loan fees, simplifying aid application processes and widening the pool of students eligible for Pell Grants are among the proposals.

One proposal that has already received the support of 120 members of Congress, as well as 300 college presidents, is the "The High Hopes 21st Century Initiative." If passed, this \$140 million bill would create alliances between colleges and middle schools whereby at least half the students come from low-income families. Businesses and community-based organizations would also be included in these partnerships.

Beginning in sixth or seventh grade, the program would provide students with mentoring and other services through high school. Students would learn exactly what they need to do to go to college, including how to obtain financial aid. Students would be guided to take core courses that they need in order to gain admission to college, and, upon graduation, be eligible for federal aid as a "21st Century Scholar."

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