

Making Higher Education Tax Credits Work for Non-Traditional Students

There is significant interest among key members of Congress in passing an education tax credit bill. House Leadership has made improving college affordability one of their signature issues (including it in their “Six for ‘06” platform), and Senate Democrats have incorporated it as a key component of their economic agenda to strengthen the middle class.

While it is encouraging to see Congress taking steps to address rising college tuition costs, current college tax credit proposals before the Senate Finance Committee could harm non-traditional students – such as part-time students, students enrolled in non-credit vocational education at local community colleges, and other working adults – despite the fact that nearly three-quarters of all undergraduates are now considered non-traditional in some way.¹

The proposal that appears to have the most traction right now is one that would consolidate the current HOPE and Lifetime Learning tax credits into a single new permanent higher education tax credit for qualified tuition and related expenses. At present, the Lifetime Learning credit is the only higher education tax credit that provides any benefit for part-time students, workers returning to school to keep current or upgrade their employment skills, and other non-traditional students. Unfortunately, current proposals to consolidate the HOPE and Lifetime Learning credits seem to eliminate these benefits.

In order to ensure that any new higher education tax credit legislation doesn’t strip existing benefits from the majority of college students, Congress should:

- *Allows individuals attending school less than half- time to remain eligible for higher education tax credits.* According to a [recent study](#) by the U.S. Department of Education, nearly half of all undergraduate students attend school part-time and almost two-thirds of non-traditional students attend part-time. Furthermore, almost 40 percent of all undergraduates work full-time and more than half of non-traditional students work full-time. It is likely that many such students would be ineligible for a credit available only to students attending school half-time or more. The Lifetime Learning Credit – which current proposals would consolidate with the HOPE Credit to create a new higher education tax credit – is currently available to students attending school less than half-time.
- *Allows individuals to receive higher education tax credits for more than four years.* The four-year degree is largely a thing of the past. According to a 2006 study by the National Center for Education Statistics, less than 35 percent of students at “four-year colleges” are able to complete their bachelor's degree in four years or less. While the current HOPE Credit is limited to students in their first two years of postsecondary education, the Lifelong Learning Credit has no such limitations and can be used by students at any stage of their postsecondary education.

¹ “Traditional” students—i.e. someone who earns a high school diploma, immediately enrolls full-time in college, depends on parents for financial support, and either doesn’t work during the school year or only works part-time—made up just 27 percent of all undergraduates in a [recent study](#) by the U.S. Department of Education.

- *Makes any new higher education tax credit refundable, so that workers earning low-wages may benefit from the credit.* Workers earning as little as \$25,000 are not able to fully claim current education tax credits. Those earning less than \$9,000 cannot claim any education tax benefits at all – even when they are paying substantial sums out of their low wages to support their own education. Refundability would allow workers earning low-wages to enjoy the full tax benefits enjoyed by higher income working students and parents. (see <http://www.cbpp.org/5-10-07tax.htm>)
- *Expand the definition of “qualifying expenses” beyond tuition and fees to include expenses such as room and board and transportation costs.* According to CBPP, year-round, full-time tuition and fees at community colleges – where low- and moderate-income students often attend – was \$2000 in 2003-04. However, community college students from families with incomes below \$20,000 had an average of \$4,800 in non-tuition education expenses not covered by governmental and institutional grants.

