College deduction

The Schumer-Snowe-Bayh-Smith-Wyden-Kohl Plan:

- Makes up to $12,000 in college tuition tax deductible;
- Allows for a tax credit for the interest paid on student loans over the first five years of repayment;
- Allows anyone with a top marginal tax rate of 28% or less to take the full tuition deduction (joint filers with taxable income up to $104,050, single heads of households with taxable income up to $89,150, and single filers with taxable income up to $62,450);
- Allows single filers with up to $50,000 in adjusted gross income and joint filers with up to $80,000 in income to receive the full student loan interest tax credit;
- Gives taxpayers in the 28% bracket a maximum benefit of $3,360 per college student per year for the tuition tax deduction;
- Has a $1,500 per year cap for student loan interest credit;
- Allows parents to choose between Hope Scholarships and the tax deduction based on what is best for them;
- Is fully phased in by the year 2005;
- Has a ten year budgetary impact of about $25b, according to preliminary Joint Tax Committee estimates.

The Schumer-Snowe-Bayh-Smith Plan <u>does not</u>:

- Make room and board tax deductible;
- Allow any tuition beyond the $12,000 cap to be tax deductible;
- Replace Hope Scholarships.

- Is fully offset by changing the effective date of the AMT by one year.