

HOPE



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Subject: CLINTON DROPPING GRADE REQUIREMENT FOR SCHOLARSHIPS

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CClinton dropping grade requirement for scholarships

WASHINGTON (AP) President Clinton has abandoned a requirement from his proposed ``HOPE scholarship" that students maintain at least a B-minus average to get a \$1,500 annual tax credit for the first two years of college.

Education Secretary Richard Riley and Treasury Secretary Robert Rubin were to outline the revised tax incentives in meetings with key congressional Republicans today.

The new proposal, aimed at winning the support of the higher-education community, also would make low-income students receiving federal Pell grants eligible for the full \$1,500 credit. Clinton's earlier proposal would have deducted the amount of a student's Pell grant from the credit.

``The modification not only will improve the utility of HOPE scholarships for lower-income students but will also make it easier for colleges and universities to administer the program," presidential spokesman Mike McCurry said.

To qualify, students must meet the modest standards required by other federal aid programs an eligibility level that is significantly lower than the original B-minus requirement.

To keep the overall cost of the package at \$35 billion, which is stipulated in the bipartisan balanced-budget accord, Miller said the tax credit and a companion \$10,000 tax deduction for college tuition would be phased in more slowly than originally scheduled.

In early Senate hearings on the Clinton tax incentives, some Democrats questioned whether the package would really help low-income people gain access to college, or merely provide tax relief to families with students already in college.

College administrators, who also initially balked at the administration plan, said Tuesday they were encouraged by the revisions.

``It seems to be moving in a very promising direction. What will now be possible is that low-income families will benefit more directly," said David Warren, president of the National Association of Independent Colleges and Universities, which represents about 900 private, independent schools.

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**The Hope and Opportunity for
Postsecondary Education (HOPE) Act of 1997**

**President Clinton's Higher Education Initiative
with State-by-State Analysis**

March 20, 1997

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**President Clinton's Hope and Opportunity
for Postsecondary Education (HOPE) Act of 1997**

March 20, 1997

TODAY, THE PRESIDENT WILL SEND TO CONGRESS NEW LEGISLATION TO HELP OPEN THE DOORS OF COLLEGE TO MORE AMERICANS. The Hope and Opportunity for Postsecondary Education (HOPE) Act of 1997 -- part of President Clinton's five-year balanced budget -- includes a \$10,000 tuition tax deduction, a \$1,500 Hope Scholarship tax credit, a substantial Pell Grant expansion and increase, a cut in student loan fees, new educational assistance from employers, and other provisions. The new legislation provides:

- ✓ **\$38.4 billion over five years in tax relief** for middle-income families struggling to pay for college and make ends meet.
- ✓ **At least \$40 billion in Pell Grants** over five years to provide more tuition assistance to low- and moderate-income families, the largest increase in two decades.
- ✓ **\$2.6 billion in savings over five years in reduced loan fees** for student loan borrowers -- putting more money into the hands of students when they pay tuition bills and other college expenses.
- ✓ **Financial support for worker training** through the tuition deduction and the extension of the tax-free treatment of up to \$5,250 per employee in employer-provided educational assistance.

KEY ELEMENTS OF THE HOPE ACT OF 1997

- **Includes a \$1,500 per student HOPE Scholarship tax credit** for tuition and fees in the student's first year and another \$1,500 in the second year if the student earns at least a B minus average. That credit will help 4.2 million students in 1998.
- **Provides a \$10,000 tuition tax deduction** for higher education and training, which is expected to help the families of 8.1 million students in 1998.
- **Provides the largest Pell Grant increase in two decades** -- from \$2,700 in FY 1997 to \$3,000 in FY 1998. Over 3.6 million students now eligible will receive an increase of up to \$300. This increase and other changes will make an additional 348,000 families eligible for the grant.
- **Lowers fees and reduces interest rates for millions of student borrowers.**

OVER 250 COLLEGE PRESIDENTS EXPRESS SUPPORT FOR THE PRESIDENT'S HIGHER EDUCATION PLAN. Already, over 250 college presidents -- representing community colleges, public and private colleges and universities -- have expressed support for the President's higher education initiatives.

NEW STATE-BY-STATE ANALYSIS SHOWS EVERY REGION OF THE COUNTRY BENEFITTING FROM THE HOPE ACT. For the 1998-99 academic year, these proposals will provide nearly \$1.7 billion in Federal benefits for students in California, and over \$300 million for students in Virginia.

Benefits to Students under Hope and Opportunity for Postsecondary Education Act of 1997

(dollars in millions)

State	Total Pell Budget Authority in Award Year 1998-99	Combined Tax Benefits for Calendar Year 1998	Cut in Student Loan Fees for Award Year 1998-99	Total Benefits for Award Year 1998-99
Alabama	\$144.2	\$92	\$5.8	\$242.0
Alaska	8.7	13	0.3	21.9
Arizona	135.8	115	10.3	261.1
Arkansas	76.3	37	3.0	116.3
California	873.8	777	46.0	1696.7
Colorado	98.2	103	8.5	209.6
Connecticut	47.2	70	5.2	122.3
Delaware	10.4	20	1.0	31.4
District of Columbia	19.8	35	6.4	61.2
Florida	358.5	260	19.5	638.0
Georgia	168.8	125	11.6	305.4
Hawaii	14.5	29	0.8	44.2
Idaho	40.8	24	2.2	67.1
Illinois	275.1	314	20.0	609.0
Indiana	139.0	122	11.1	272.1
Iowa	93.0	71	8.4	172.4
Kansas	82.3	71	4.6	157.9
Kentucky	125.6	72	5.6	203.3
Louisiana	175.9	78	9.1	263.0
Maine	28.1	24	2.2	54.3
Maryland	99.0	114	6.1	219.1
Massachusetts	153.1	180	18.9	352.0
Michigan	248.7	231	15.3	495.0
Minnesota	128.9	121	9.6	259.6
Mississippi	111.4	45	3.7	160.2
Missouri	146.5	122	11.2	279.7
Montana	34.2	15	1.9	51.1
Nebraska	50.4	49	3.9	103.4
Nevada	15.9	28	1.1	45.0
New Hampshire	23.5	27	2.7	53.1
New Jersey	145.5	143	7.9	296.4
New Mexico	64.6	41	2.5	108.1
New York	744.6	422	42.6	1209.2
North Carolina	157.4	157	10.8	325.1
North Dakota	28.4	16	1.8	46.2
Ohio	288.4	226	20.7	535.1
Oklahoma	129.8	73	6.1	208.9
Oregon	74.8	69	5.8	149.6
Pennsylvania	294.7	256	27.9	578.6
Puerto Rico	412.3	--	2.6	414.9
Rhode Island	32.2	32	3.5	67.6
South Carolina	94.3	71	5.5	170.8
South Dakota	29.9	14	1.9	45.8
Tennessee	136.9	99	8.1	244.0
Texas	495.7	395	25.1	915.8
Utah	82.1	59	3.2	144.3
Vermont	16.2	15	2.2	33.4
Virginia	143.8	151	11.4	306.2
Washington	132.7	120	8.9	261.7
West Virginia	59.2	35	3.0	97.2
Wisconsin	115.7	130	8.5	254.3
Wyoming	16.1	13	0.7	29.9
Outlying Areas	12.1	0	0.0	12.1
TOTAL	\$7,635.0	\$5,921.0	\$466.5	\$14,022.5

Pell Benefits to Students under the President's FY1998 Budget Policy

(Recipients in thousands, dollars in millions)

State	Total Pell Recipients in Award Year 1998-99	Increase in Pell Recipients From Award Year 1997-98	Total Pell Budget Authority in Award Year 1998-99	Increase in 1998 Pell Budget Authority from 1997
Alabama	79.3	6.9	\$144.2	\$32.4
Alaska	4.6	0.4	8.7	1.9
Arizona	72.7	6.3	135.8	30.5
Arkansas	39.1	3.4	76.3	17.2
California	431.6	37.5	873.8	196.4
Colorado	53.7	4.7	98.2	22.1
Connecticut	26.9	2.3	47.2	10.6
Delaware	6.1	0.5	10.4	2.3
District of Columbia	10.6	0.9	19.8	4.5
Florida	189.5	16.4	358.5	80.6
Georgia	99	8.6	168.8	37.9
Hawaii	7.7	0.7	14.5	3.3
Idaho	21	1.8	40.8	9.2
Illinois	149.7	13	275.1	61.8
Indiana	77.4	6.7	139.0	31.2
Iowa	51.8	4.5	93.0	20.9
Kansas	45.2	3.9	82.3	18.5
Kentucky	65.2	5.7	125.6	28.2
Louisiana	86.2	7.5	175.9	39.5
Maine	15.2	1.3	28.1	6.3
Maryland	55.1	4.8	99.0	22.3
Massachusetts	82.1	7.1	153.1	34.4
Michigan	138.6	12	248.7	55.9
Minnesota	73.9	6.4	128.9	29.0
Mississippi	54.8	4.8	111.4	25.0
Missouri	80.5	7	146.5	32.9
Montana	17.5	1.5	34.2	7.7
Nebraska	29.3	2.5	50.4	11.3
Nevada	9.1	0.8	15.9	3.6
New Hampshire	13.2	1.1	23.5	5.3
New Jersey	75.7	6.6	145.5	32.7
New Mexico	33.7	2.9	64.6	14.5
New York	369.5	32.1	744.6	167.3
North Carolina	85.9	7.5	157.4	35.4
North Dakota	15	1.3	28.4	6.4
Ohio	158.3	13.7	288.4	64.8
Oklahoma	67.8	5.9	129.8	29.2
Oregon	40.5	3.5	74.8	16.8
Pennsylvania	156.4	13.6	294.7	66.2
Puerto Rico	180.5	15.7	412.3	92.7
Rhode Island	17.9	1.6	32.2	7.2
South Carolina	53.1	4.6	94.3	21.2
South Dakota	16.2	1.4	29.9	6.7
Tennessee	72.7	6.3	136.9	30.8
Texas	266.4	23.1	495.7	111.4
Utah	46	4	82.1	18.4
Vermont	9.3	0.8	16.2	3.6
Virginia	79.4	6.9	143.8	32.3
Washington	69.6	6	132.7	29.8
West Virginia	29.7	2.6	59.2	13.3
Wisconsin	64.5	5.6	115.7	26.0
Wyoming	8.7	0.8	16.1	3.6
Outlying Areas	6	0.5	12.1	2.7
TOTAL	4,009.4	348	\$7,635.0	\$1,716.0

Explanation of State-by-State Tables

Table 1 -- Benefits to Students under the HOPE Act

The first column provides the total estimated Pell Grant funding in the 1998-99 academic year for students attending postsecondary institutions in the State.

The second column provides the total estimated reduction in taxes (as a result of the HOPE Scholarship and the higher education tax deduction) in the 1998 calendar year for students attending postsecondary institutions in the State.

The third column provides the total estimated reduction in loan fees in the 1998-99 academic year for students and parents attending postsecondary institutions in the State.

The final column is a total of the first three columns: **the total benefit for students in the State.**

Table 2 -- Pell Grant Benefits to Students

For students attending postsecondary institutions in the State in the 1998-99 academic year:

- the first column shows the number of Pell Grant recipients;
- the second column shows the increase in the number of recipients over the previous year;
- the third column shows the total Pell Grant funding; and
- the fourth column shows the increased Pell Grant funding over the previous year.

Methodology of State-by-State Analysis

Pell Grant Budget Authority for Academic Year 1998-99

Estimates are based on 1998-99 Pell Grant projections, adjusted by the 1994-95 academic year distribution of Pell recipients and funding among different States.

Combined Tax Benefits for Calendar Year 1998

Using a nationally-representative sample of postsecondary students, we first determined the likelihood of a Pell and non-Pell recipient receiving a tax benefit. Using these data and the Pell Grant distributions discussed above, we estimated the number of students that would receive a tax benefit in each state. We then used this relative distribution of tax beneficiaries to allocate calendar year 1998 benefit amounts (\$5.9 billion) among the States.

Cuts in Student Loan Origination Fees for Academic Year 1998-99

Estimates are based on projected loan amounts and number of borrowers for academic year 1998-99, and the historical distribution of loans by State. Two percent of Stafford (subsidized) loan volume and one percent of unsubsidized loan volume equal the estimated student savings by State.

Highlights of the Hope and Opportunity for Postsecondary Education (HOPE) Act of 1997

INITIATIVE	DESCRIPTION	AMOUNT	IMPACT
Title I: Higher Education Tax Incentives			
<i>HOPE Scholarship Tax Credit</i>	Up to \$1,500 per-student tax credit for tuition and fees in student's first year and another \$1,500 in the second year if student earns at least a B-average.	\$18.6 billion over five years.	Expected to help 4.2 million students in 1998.
<i>\$10,000 Tax Deduction for Higher Education and Training</i>	Phases up from \$5,000 in 1997 to a \$10,000 maximum deduction in 1999 for tuition and fees. Also available for training and lifelong learning.	\$17.5 billion over five years.	Expected to help 8.1 million students in 1998.
<i>Tax-Free Education Savings*</i>	Families with incomes up to \$100,000 would be eligible for IRAs, and could make penalty-free withdrawals for higher education.	Education specific estimates not available.	Combined with tax deduction, IRA used for education will never be taxed. Will make over 20 million families eligible for such a benefit.
<i>Educational Assistance from Employers</i>	Extends tax exclusion for employer-provided education assistance through 2000, for both undergraduate and graduate education. Also provides tax credit to small businesses.	\$2.4 billion between 1997-2001.	Benefits 1.7 million employees a year.
<i>Community Service: Loan Forgiveness</i>	Tax relief for community service loan forgiveness and for borrowers who repay through the income contingent repayment plan for 25 years.	\$15 million over five years.	Not available.
Title II: Financial Aid for Needy Students			
<i>Pell Grant Increase and Expansion</i>	Largest increase in two decades -- from \$2,700 in FY97 to \$3,000 in FY98. Combined with the FY97 increase, the maximum grant has increased \$530 since FY96.	At least \$40 billion over five years. \$1.7 billion more in 1998 than the FY97 appropriation -- a 25% increase in aid.	Over 3.6 million students now eligible will receive an increase up to \$300. This increase will also make an additional 130,000 families eligible for the grant.
<i>Pell Grant Expansion for Older, Low-Income Students</i>	Increases eligibility for older, low-income students to receive a Pell Grant.	\$3.9 billion over five years.	An additional 218,000 low-income students generally aged 24 or over will be newly eligible for Pell Grants. The new recipients will receive, on average, a grant of \$1,431.
<i>Cut in Student Loan Fees</i>	Cuts loan fees from 4% to 2% on need-based Stafford loans -- and to 3% on other loans for students and parents.	\$2.6 billion in savings for borrowers over five years	Loan fees will be cut in half for 4 million low- and middle-income students, and by a quarter for 2.5 million other loans.

*The IRA proposal is not part of the HOPE Act but will be transmitted to Congress separately.

Summary of the Hope and Opportunity for Postsecondary Education (HOPE) Act of 1997

March 20, 1997

Today's employers look for job applicants with more than a high school diploma. Since the success of the post-World War II GI Bill, the Federal Government has expanded college aid, making it possible for more Americans to attend college. But for too many, the financial strains of continuing their education are still severe. The President's Hope and Opportunity for Postsecondary Education (HOPE) Act of 1997 ensures that these barriers to higher education continue to fall for all Americans and provides tax relief for middle-income families struggling to pay for college.

Title I: HIGHER EDUCATION TAX INCENTIVES

HOPE Scholarship Tax Credits

- Up to a \$1,500 per student credit for tuition and fees for course work beginning on or after July 1, 1997.
- Credit can be claimed in two tax years for any student who has not finished 13th and 14th years of education.
- The tax credit is expected to help 4.2 million students (1998), and would save families \$18.6 billion over five years.

The non-refundable tax credit is available for students enrolled on at least a half-time basis during the first two years of postsecondary education. The credit may be claimed in no more than two years. To receive the credit for the second time, the student must have at least a B minus grade point average in course work completed before that year. Federal grants (but not loans or work-study) generally would reduce the allowable tax credit. No credit would be available for any student convicted of a drug-related felony.

The credit would be phased out for taxpayers filing a joint return with adjusted gross income between \$80,000 and \$100,000. For taxpayers filing single and head-of-household returns, the credit would be phased out for adjusted gross income between \$50,000 and 70,000. (The phase-out ranges and the amount of the credit would be indexed).

Tax Deduction for Higher Education and Training

- \$10,000 per family maximum deduction for lifelong learning (\$5,000 maximum in 1997 and 1998).
- Available for job training and re-training, in addition to traditional undergraduate and graduate education.
- Deduction is "above the line" -- available even if the taxpayer does not itemize.
- Expected to help 8.1 million students (1998), and would save families \$17.5 billion over five years.

The deduction could be claimed for out-of-pocket tuition and fees paid for any student enrolled at least half-time in a degree or certificate program, including graduate programs, at an eligible postsecondary institution. In addition, the deduction would be available for the cost of training -- whether or not it leads to a degree -- that helps the student, older worker, or job-seeker improve or acquire job skills. A student in the first two years of postsecondary education could choose either the credit or the deduction, but not both. The deduction phases in, beginning with a \$5,000 maximum per family for payments made after December 31, 1996 to cover course work beginning on or after July 1, 1997. It increases to a \$10,000 maximum deduction beginning in 1999. The deduction would be phased out at the same income levels as the credit.

Tax-free Education Savings*

- Families with incomes up to \$100,000 would be eligible for IRAs, and could make penalty-free withdrawals for higher education.
- Combined with tuition deduction (above), the IRA savings spent by middle-income families on tuition and fees would never be taxed.

* As part of his balanced budget plan, the President has proposed a number of changes to IRAs to make it possible for families to use them to pay for education tax-free. Although the specific legislation providing for these changes is not included in the HOPE Act, it will be transmitted to Congress soon.

The President's budget plan would allow IRAs to be used for postsecondary education expenses free from early withdrawal tax penalties, and would make over 20 million families eligible to make tax-deductible IRA contributions. Currently, if an individual (or spouse) already participates in an employer's retirement plan, eligibility is phased out for taxpayers filing a joint return with adjusted gross income between \$40,000 and \$50,000 (between \$25,000 and \$35,000 for single filers). The proposal would expand the phase-out ranges for 1997 through 1999 to \$70,000 to \$90,000 for joint filers (\$45,000 to \$65,000 for single). Beginning in 2000, the phase-out range would match the ranges described for the higher education tax credit. The proposal would also create a special IRA that could be used to save for education and other needs, subject to the same income limits.

Educational Assistance from Employers

- Extends tax exclusion for employer-provided education assistance (Section 127) through the year 2000, for both undergraduate and graduate education.
- Tax credit to encourage small businesses to offer educational assistance to employees.
- Benefits 1.7 million employees a year.

The current exclusion from an employee's income of up to \$5,250 per year of postsecondary educational assistance provided by an employer expires this year, and expired for graduate-level assistance last year. The President would extend the exclusion, and reinstate the graduate-level component, through the year 2000. In addition, for 1998-2000, small businesses would be given a new incentive to provide educational assistance to their employees through a ten-percent tax credit for amounts paid under an employer-provided educational assistance program for education provided by a third party.

Community Service: Loan Forgiveness

- Tax-free loan cancellation for public service and forgiveness under the income contingent repayment plan.

Under current law, a charity or private educational institution that forgives a loan as part of a program that enables graduates working in certain professions (such as rural medicine or teaching) to pay off their student loans through community service must report the loan forgiveness as income to the graduate. This proposal would exclude the loan forgiveness from an individual's income and clarify that the same treatment would be provided for forgiveness under the income contingent loan repayment plan for direct loans.

Title II: FINANCIAL AID FOR NEEDY STUDENTS

Pell Grant Increase and Expansion

- Largest increase in Pell Grants in two decades.
- \$300 boost in the Pell Grant maximum, to a \$3,000 maximum award. Since FY 1996, the maximum award will have increased \$530.
- A 25 percent funding increase over last year -- \$1.7 billion more than the FY 1997 appropriation.
- 3.6 million students now receiving Pell Grants will be eligible to receive an increase of up to \$300. The increase will make 130,000 more moderate-income families eligible for the grant.
- Older student provision will make Pell Grants available to additional 218,000 low-income students generally aged 24 or over.
- With these changes, the number of Pell Grant recipients will exceed 4 million in FY 1998.
- At least \$40 billion available for Pell Grants for needy students over five years.

Pell Grants are the foundation of student aid for low- and moderate-income families. Increasing the maximum award to \$3,000 provides more aid to currently eligible students, and makes an additional 130,000 students eligible for the grants. In addition, the proposal would increase the eligibility of older, low-income students. With this change, more low-income students who are 24 years old or older and financially independent from parents would receive a Pell Grant. Pell Grants are particularly beneficial for low-income students who have little or no tax liability because of the high award level and its availability for all four years of undergraduate education.

Cut Student Loan Fees and Interest

- Borrower-paid loan fees cut in half for 4 million low- and middle-income students, and by a quarter for 2.5 million other loans to student and parent borrowers.
- \$2.6 billion in borrower savings over five years produced by the fee cut alone.

- Interest rate during in-school period cut for 2 million students, saving them an additional \$1 billion.

Before 1993, borrowers lost up to 8 percent of their student loans in required fees before the money ever reached them. In 1993, the President's aggressive student loan reforms spurred a 50 percent cut in allowable fees that has already saved families nearly \$2 billion. The President's plan proposes -- for both the Direct and guaranteed loan programs -- to cut loan fees from 4 percent to just 2 percent on need-based Stafford loans, and to 3 percent on other loans for students and parents.

The Congressional Budget Office and other analysts have noted that lender costs during the in-school period -- when students are not required to make payments on their loans -- are very low. The budget reduces the interest rate during that period by one percentage point.

The proposal provides these benefits to students while saving taxpayers \$3.5 billion over five years by streamlining the guaranty agency system to make it more efficient and cost effective and by eliminating excess lender profits.

*College Work-Study**

- Budget funds 1 million College Work-Study slots by the year 2000.
- Incentives to reach the goal of 100,000 work-study reading tutors by 1999.

The President's 1998 budget also increases aid for students through subsidized jobs in the College Work-Study program. The President has called on colleges to commit half of the increased funding since FY 1996, \$120 million for FY 1998, to supporting community service jobs. The Secretary of Education recently waived the institution's required portion of the awards for students that participate as reading tutors -- part of America's Reading Challenge, helping to ensure that every child can read independently and well by the end of third grade. The President's budget is on a path to achieve the President's goal to raise the number of Work-Study recipients to a million by the year 2000, and 100,000 reading tutors by 1999.

* College Work-Study proposal is included in the President's budget request and appropriations language but not in the HOPE Act.

Case Studies:
How the President's Higher Education Proposals
Benefit Typical American Families

Two Examples of How to Save for College Tax-Free

Taken together, the Administration's proposal to allow penalty-free withdrawals from IRAs for college tuition and the tuition tax deduction allow families to save tax-free for their children's education. Families pay no income taxes on money they contribute to an IRA, and the interest accumulates tax-free. Under the Administration's proposal, families would be allowed to withdraw money from their IRA to pay higher education expenses without paying the usual excise tax. And because they can deduct tuition expenses of up to \$10,000 per year from taxable income, they will not have to pay the income tax normally due on IRA withdrawals. *This adds up to tax-free saving for college.*

The following examples demonstrate how the Administration's proposals help families save for their children's college tuition:

Example 1
\$35,000 Family Income

A family with combined income of \$35,000 per year in a 15% marginal tax bracket saving for college expenses of \$10,000 per year for 4 years. The family earns an 8% annual return.

- Under the Administration's proposal this family would need to put \$955 per year in before tax savings into an IRA for 18 years.
- Without the Administration's proposal, the same family would need to put away almost \$1,090 per year *after taxes*. That means that they need to earn more than \$1,280 per year *before taxes*, a **difference of \$325 per year to reach the same savings goal.**

Example 2
\$60,000 Family Income

A family with combined income of \$60,000 per year in a 28% marginal tax bracket saving for college expenses of \$10,000 per year for 4 years. The family earns an 8% annual return.

- Under the Administration's proposal this family would need to put \$955 per year in before-tax savings into an IRA for 18 years.
- Without the Administration's proposal, the same family would need to put away \$1,220 per year *after taxes*. That means that they need to earn nearly \$1,700 per year *before taxes*, a **difference of almost \$750 per year to reach the same savings goal.**

Four Examples of How the HOPE Act Works

The tax liabilities used in the following four examples are based on the personal exemption, standard deduction and the beginning point for the 28 percent rate bracket assumed to be in effect in 1998, the first year the increased Pell Grants will be available under the President's proposal. Under the proposal, the maximum tuition deduction for 1998 is \$5,000. It is \$10,000 for years thereafter. Tax liabilities are estimated on the assumption that itemized deductions of 18 percent of adjusted gross income are claimed if that amount exceeds the standard deduction.

Example 3

**\$60,000 Family Income
Married Couple With One Child in College
1998 Benefit: \$1,500**

Larry and Jill O'Neill are a married couple with two children. Larry and Jill earn \$60,000 in 1998. They claim both children as dependents because they provide more than half of their support. Bobby, the O'Neills' older child, enrolls as a freshman in a community college in the fall of 1998 and is charged \$1,500 in tuition and required fees. Bobby's parents pay his tuition. Under the President's proposals, the O'Neills are entitled to a HOPE Scholarship tuition credit of \$1,500. (Because a credit is being claimed for Bobby's freshman year, his grade point average does not affect his eligibility for the credit.) The credit reduces their tax liability by \$1,500. **Thus, the O'Neills get a total benefit of \$1,500 from the President's proposals.**

Without the President's Proposals

Tuition cost: \$1,500

Pell grant: \$0

Tax liability: \$5,760

With the President's Proposals

Tuition cost: \$1,500

Pell grant: \$0

Tax liability: \$4,260

Example 4

**\$10,000 income
Independent College Student
1998 Benefit: \$3,458**

Joe Jefferson is a college freshman in the fall of 1998. He is single and supports himself. He earns \$10,000 in 1998. In September 1998, Joe enrolls in college and pays \$3,025 in tuition and required fees for the fall semester. In December he is charged \$3,025 in tuition and fees for the spring semester. Under the President's proposals, Joe is entitled to a Pell grant of \$3,000 that he uses to pay part of his tuition. He pays the remaining \$3,050 with a combination of savings and loans. Under the President's proposals, he is entitled to a tuition deduction for his \$3,050 payment. The deduction reduces Joe's tax bill by \$458, which is more than his total tax liability for the year. **Thus, Joe gets a total benefit of \$3,458 from the President's proposals, \$3000 in Pell Grants and \$458 in reduced taxes.**

Without the President's Proposals

Tuition cost: \$6,050

Pell grant: \$0

Tax liability: \$458 (less \$3 EITC)

With the President's Proposals

Tuition cost: \$6,050

Pell grant: \$3,000

Tax liability: \$0 (plus \$3 EITC refund)

Example 5
\$30,000 Family Income
Married Couple with One Child in College
1998 Benefit: \$1,050

Victor and Susan Montoya are a married couple with one child, Maria. Tom and Susan earn \$30,000 in 1998. They claim Maria as a dependent because they provide more than half of her support. Maria attends college for two semesters in 1998 and is charged \$6,850 in tuition and required fees at the beginning of the year. Under the President's proposals, Maria receives a Pell grant for \$1,850. Her parents pay \$1,000 of her tuition. She pays the rest of the tuition bill with a combination of savings and loans. Under the President's proposals, the Montoyas are entitled to a tuition deduction for the \$5,000 their family has paid in tuition and required fees. The deduction reduces the Montoyas' tax bill by \$750. **Thus, the Montoyas get a total benefit of \$1,050 from the President's proposals, \$300 in additional Pell Grants and \$750 in reduced taxes.**

Without the President's Proposals

Tuition cost: \$6,850

Pell grant: \$1,550

Tax liability: \$2,220

With the President's Proposals

Tuition cost: \$6,850

Pell grant: \$1,850

Tax liability: \$1,470

Example 6
\$90,000 Family Income
Married Couple With Two Children in College
1998 Benefit: \$1,450

Paul and Debbie Green are a married couple with two children, David and Barbara. Paul and Debbie have income of \$90,000 in 1998 (including income from an IRA withdrawal, described below). They claim David and Barbara as dependents because they provide more than half of their support. In 1998, David is enrolled in college for the second semester of his junior year and the first semester of his senior year. Barbara is enrolled in the second semester of her freshman year and the first semester of her sophomore year. At the beginning of 1998, Barbara has a B+ grade point average. David's bill for tuition and required fees is \$5,000, and Barbara's is \$1,500. Paul and Debbie pay their children's tuition and required fees with a combination of savings, including \$2,000 they withdraw from their IRAs, and loans. Under the President's proposals, they avoid any penalty for early withdrawal from their IRAs, and they are entitled to a credit of \$750 for Barbara's tuition and a deduction of \$2,500 for David's tuition. (Because their income places them in the middle of the \$80,000 to \$100,000 phase-out range, they claim half the maximum credit and deduction.) The credit and the deduction reduce their tax liability by \$1,450. **Thus, the Greens get a total benefit of \$1,450 from the President's proposals.**

Without the President's Proposals

Tuition cost: \$6,500

Pell grant: \$0

Tax liability: \$12,128

Penalty for early withdrawal: \$200.

With the President's Proposals

Tuition cost: \$6,500

Pell grant: \$0

Tax liability: \$10,678

COLLEGE AND UNIVERSITY PRESIDENTS SUPPORT PRESIDENT CLINTON'S HIGHER EDUCATION INITIATIVE

Already, over 250 college presidents -- representing community colleges, public and private colleges and universities -- have expressed support for President Clinton's higher education initiatives.

- 70 community college presidents and 280 community college trustees signed the American Association of Community Colleges and Trustees letter of support for the President's higher education initiatives
- 105 private college presidents joined the president of Dickinson College in signing a letter of support for the President's initiatives
- 23 California State University presidents joined the Chancellor of the California State University System in a letter of support for the President's initiatives
- 63 Christian college presidents signed the Coalition for Christian Colleges & Universities letter commending the President for his higher education efforts
- The American Council on Education Board of Directors, which represents 1,700 college and university presidents, passed a resolution in support of the President's initiatives
- The National Association of Student Financial Aid Administrators, representing over 3,100 colleges and universities, expressed support for the President's initiatives