

Re: 2017 Tax Cuts Act: Educational Tax Benefits

Dear Client:

The Tax Cuts and Jobs Act modifies qualified tuition programs and the exclusion of student loan discharges from gross income. There was much debate regarding changes to other educational benefits as part of tax reform, including the elimination of the student loan interest deduction, repeal of exclusion of income for graduate student tuition waivers, and modifications to the American Opportunity Credit. These benefits were retained as part of the final agreement between the House and Senate. However, the above-the-line deduction for education expenses that expired at the end of 2016 was not renewed.

529 Plans

Qualified tuition programs (529 plans) have, in recent years, become a popular way for parents and other family members to save for a child's college education. Though contributions to 529 plans are not deductible, there is no income limit for contributors. 529 plan distributions are tax-free as long as they are used to pay qualified higher education expenses for a designated beneficiary. Qualified expenses include tuition, required fees, books and supplies. For someone who is at least a half-time student, room and board also qualifies as a higher education expense.

The Tax Cuts and Jobs Act expands qualified distributions made after December 31, 2017. Plan participants may withdraw not more than \$10,000 in expenses for tuition incurred during the tax year in connection with the enrollment or attendance of the designated beneficiary at a public, private or religious elementary or secondary school. This limitation applies on a per-student basis, rather than a per-account basis. Any excess distributions received by the individual are treated as distributions subject to tax under the general rules of section 529.

Discharge of Student Loans

The Tax Cuts and Jobs Act modifies the exclusion of student loan discharges from gross income by including certain discharges on account of death or disability. Loans eligible for the exclusion under the provision are loans made by

1. the United States (or an instrumentality or agency thereof);
2. a state (or any political subdivision thereof);
3. certain tax-exempt public benefit corporations that control a state, county, or municipal hospital and whose employees have been deemed to be public employees under state law;
4. an educational organization that originally received the funds from which the loan was made from the United States, a state, or a tax-exempt public benefit corporation; or
5. certain private education loans.

Under the provision, the discharge of a loan as described above is excluded from gross income if the discharge was pursuant to the death or total and permanent disability of the student. The provision

applies to discharges of loans after, and amounts received after, December 31, 2017, and before January 1, 2026.

If you have any questions about the modifications to educational benefits under the Tax Cuts and Jobs Act, or regarding education savings in general, please call our office. We are here to assist you.

Sincerely,

Corn + Fisher, LLP