

PHIL ENGLISH

21ST DISTRICT, PENNSYLVANIA

WAYS AND MEANS COMMITTEE

SUBCOMMITTEES:

HUMAN RESOURCES

HEALTH

TRADE

JOINT ECONOMIC COMMITTEE

CHAIRMAN:

CONGRESSIONAL STEEL CAUCUS

CONGRESSIONAL REAL ESTATE CAUCUS



Congress of the United States

House of Representatives

Washington, DC 20515-3821

PLEASE REPLY TO:

1410 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-3821
(202) 225-5406

310 FRENCH STREET, SUITE 107
ERIE, PA 16507-1543
(814) 456-2038

900 NORTH HERMITAGE ROAD, SUITE 6
HERMITAGE, PA 16148-3243
(724) 342-6132

312 CHESTNUT STREET, SUITE 114
MEADVILLE, PA 16335-3208
(814) 724-8414

101 EAST DIAMOND STREET, SUITE 213
BUTLER, PA 16001-5944
(724) 285-7005

EDUCATION TAX INCENTIVES:

A TIME-TESTED WAY TO MAKE HIGHER EDUCATION MORE AFFORDABLE

Dear Colleague:

The price-tag of higher education has grown rapidly in recent years. To help combat the problem, I will soon be reintroducing legislation that breaks down some of the barriers to college savings. I invite you to become an original cosponsor of the *Higher Education Affordability and Equity Act of 2005* (HEAEA) when it is reintroduced this week.

One way to make higher education more affordable is by improving the tax treatment of education savings. This is not a new idea – 529 accounts have been one of the most successful tools for college savings in a generation. Significant improvements were made to in college savings taxation in the *Economic Growth and Tax Relief Reconciliation Act of 2001* (EGTRRA), but much more can be done. Thus, HEAEA makes the following changes to current law:

- Makes permanent the education provisions included in EGTRRA;
- Expands the Student Loan Interest Deduction to allow borrowers to deduct the full amount of interest on their student loan and increasing the income eligibility to claim the deduction;
- Excludes amounts received as part of a scholarship, fellowship or grant from taxable income if used for qualified higher education expenses, including room and board;
- Increases the annual contribution limit to Coverdell Education Savings Accounts to \$5,000 from the current \$2,000 limit;
- Equalizes how all types of college savings plans are considered in determining a student's need for financial assistance;
- Expands the Hope Scholarship Tax Credit to include certain additional expenses, such as fees, books, and supplies and it also excludes Pell Grants and SEOG payments as mandatory reductions to eligibility for the Hope Credit. This is a new addition for the 109th Congress.

If you have any additional questions or would like to join me in helping students and parents finance college by becoming an original cosponsor, please contact Margit Archer of my staff at margit.archer@mail.house.gov or 225-5406.

Sincerely,

Phil English
Member of Congress