



## **Nelnet Offers Tips on How Students Can Maximize Their Education Tax Benefits**

LINCOLN, Neb., March 13, 2006 /PRNewswire-FirstCall via COMTEX News Network/ -- Last fall the Government Accountability Office (GAO) issued a report entitled "Student Aid and Postsecondary Tax Preferences." The report concluded that the mix of tax deductions and tax credits, all with varying income phase-outs and qualifications, left most families confused. The GAO stated that approximately 227,000 filers claimed less than the maximum allowed tax benefit for tax year 2002.

Nelnet spokesman Eric Solomon wants to make sure that students take full advantage of their tax benefits. "Students are missing out on thousands of dollars in tax credits. Make sure you take the time to see how much you can claim."

Jim Briggs, a nationally-known expert on federal taxes and financial aid agrees with the GAO's assessment. Briggs said his review of financial aid applications indicates that many families are not claiming the correct education tax benefits. Briggs feels that most taxpayers need a computer program to determine which tax deduction and/or credit will provide the biggest tax savings.

Tax year 2005 allows a Hope Credit of \$1,500 per student per year for qualified tuition and fees paid during the first two years of college. The Lifetime Learning Credit of \$2,000 per year per tax return may be claimed for qualified tuition and fees paid in any year of post-secondary education. The credits are phased out as your income rises above \$43,000 for single filing and \$87,000 for married filing jointly.

Also potentially available is a tax deduction of up to \$4,000 per year for qualified tuition and fees. Taxpayers may not claim both a tax credit and a tax deduction for the same student in any one year. The tax deduction is phased out as income rises above \$65,000 for single filing and \$130,000 for married filing jointly.

Students and parents may also be eligible to claim up to \$2,500 per year of interest paid on student loans. The loan must have been used to pay for qualified post-secondary education expenses. The deduction is phased out as income rises above \$50,000 for single filing and \$105,000 for married filing jointly.

It is recommended that students and parents refer to the 2005 edition of IRS Publication 970 Tax Benefits for Education when deciding which tax credit and/or deduction to claim. Appendix B on pages 72 and 73 is a particularly helpful summary of the potential benefits.

The GAO study concluded that many tax preparers were not familiar with all of the potential credits and/or deductions available for education expenses. Parents and students should inform their tax preparer of all potential qualifying expenses and deductions which may apply to their situation.

Nelnet provides free college planning resources to students at the Nelnet College Planning Web site, [www.nelnet.net/collegeplanning](http://www.nelnet.net/collegeplanning) or call toll-free at 1.866.866.7372.

This information set forth herein represents Nelnet's interpretation of the report entitled "Student Aid and Postsecondary Tax Preferences" issued on November 17, 2005 by the Government Accountability Office. Readers are cautioned that this report is subject to interpretation and rule making by the Internal Revenue Service. This document is provided for informational purposes only and is not intended to be tax or legal advice. Readers of this information should not rely upon the information contained herein and are encouraged to consult with their tax advisor or legal counsel.

Nelnet (NYSE: NNI) is one of the leading education finance companies in the United States and is focused on providing quality products and services to students and schools nationwide. Nelnet ranks among the nation's leaders in terms of total net student loan assets with \$20.3 billion as of December 31, 2005. Headquartered in Lincoln, Nebraska, Nelnet originates, consolidates, securitizes, holds, and services student loans, principally loans originated under the Federal Family Education Loan Program of the U.S. Department of Education.

Additional information is available at [www.nelnet.net](http://www.nelnet.net).

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