



FOR IMMEDIATE RELEASE

June 25, 2012

Contact: Communications Office

(202) 224-4515

BAUCUS EXPLORES OPPORTUNITIES IN TAX REFORM TO HELP AMERICAN FAMILIES AFFORD COLLEGE

Tax Code Complexity Means Many Families Leave Benefits, Money on the Table

Washington, DC – In a Senate Finance Committee hearing held today, Chairman Max Baucus (D-Mont.) said tax reform can help improve access to higher education and make it easier for families and students to claim education tax benefits. Baucus noted that U.S. graduation rates as a percent of population have fallen compared to other countries, and he said the complexity of the tax incentives for education means many families end up choosing the wrong tax benefits and missing out on opportunities for additional tax breaks.

“The tax code provides critical help for families to make college more affordable, but the system is too complex and confusing. Many families often pick the wrong benefit and leave money on the table. Tax reform should make the system simpler for families and increase access to education for all Americans,” Baucus said. **“In tough economic times and when the job market is so competitive, education is more important than ever. American families face challenges paying for college, and some of the best and brightest students never have the opportunity to develop their talents.”**

Over the past two decades, college costs have grown at four times the rate of inflation. Chairman Baucus noted that as costs climbed, the U.S. also fell in college graduation rates as compared to other countries. Americans from ages 25 to 64 rank second in the world in graduation rates. But when examining a narrower, younger group of Americans – those ages 25 to 34 – the U.S. falls to 16th.

Congress has provided tax cuts to help families afford college since 1954. Among them are the student loan interest deduction to defray the cost of loans, as well as 529 programs and Coverdell accounts to encourage tax-free savings. In 2009, taxpayers claimed almost \$30 billion in education tax cuts. This equates to about 22 percent of the assistance received through Federal grants and loan assistance. In that same year, Congress created the American Opportunity Tax Credit, extending subsidies to 4.8 million more lower-income students and families.

However, Baucus said the multitude of education tax benefits can result in complexity and confusion for American families. Under current law, there are eight separate tax expenditures related to higher education and five different definitions of “eligible expenses.” Taxpayers must calculate their taxes based on each tax cut to determine which one works best, but the Government Accountability Office recently found that many taxpayers fail to maximize their return. Baucus said tax reform should make the system simpler for families and more efficient for taxpayers.

###