



# Committee On Finance

Max Baucus, Ranking Member

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**NEWS RELEASE**

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## **BAUCUS BILL IMPROVES EDUCATION TAX INCENTIVES**

*Property tax and student loan deductions top list of provisions  
aimed at shoring up U.S. education, economic competitiveness*

*Washington, DC* – Major education legislation introduced today by U.S. Senator Max Baucus (D-Mont.) seeks to create and improve tax incentives that support American education. The Baucus Education Competitiveness Act of 2006 would strengthen key aspects of U.S. education to increase our country's global economic competitiveness – our ability to ensure prosperity for all Americans with good-paying jobs here at home. Among the bill's provisions is a proposal to supply free college educations to all students agreeing to major and work in math, science or engineering, and an effort to provide pre-kindergarten classes for all American children. In addition, a tax title in the bill will help families and students pay for college, offer tax relief to teachers, workers, and charitable donors, help schools meet renovation expenses, and help homeowners whose property taxes support local education. Baucus is the ranking Democrat on the tax-writing Senate Finance Committee.

**“Education is the surest path to good-paying jobs and financial security for American families. And a well-educated workforce increases our country's ability to keep good jobs here at home and stay ahead in the global economy,”** said Baucus. **“Our tax code needs to acknowledge the reality of educational costs and help more Americans to meet them. Some of these tax provisions are new, some are overdue, but all of them can make a real difference for folks seeking to obtain and to provide a better education for all our kids.”**

To support education, the Baucus Education Competitiveness Act makes the following changes to tax law:

- **FEDERAL DEDUCTION FOR LOCAL PROPERTY TAXES** – Creates an additional standard deduction for the state and local property taxes that homeowners pay to support public education. Non-itemizers would be able to claim the deduction on top of the standard deduction - \$500 for single filers, and \$1,000 on a jointly filed return, for state and local real property taxes paid or accrued.

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- **HIGHER EDUCATION CREDIT** – Simplifies confusing tax provisions by combining the Hope Scholarship and Lifetime Learning Credits into a single tax credit of as much as \$2,000 per student for qualified tuition and related expenses, including fees, books and supplies, and computer equipment.
- **REPAYMENT PERIOD FOR HIGHER EDUCATION LOANS FROM QUALIFIED RETIREMENT PLANS** – Increases the repayment period of a higher education loan from a qualified retirement plan to ten years instead of five years.
- **EMPLOYER-PROVIDED EDUCATIONAL ASSISTANCE** – Allows employees to exclude as much as \$7,000 from gross income per year for employer-provided education assistance.
- **EXPENSES OF ELEMENTARY AND SECONDARY SCHOOL TEACHERS** – Makes permanent and doubles the deduction for K-12<sup>th</sup> grade teachers who pay for schoolroom supplies, books, and computer equipment.
- **YOUNG SAVERS ACCOUNTS** – To further support K-12 education, the age limit for Young Savers Accounts is extended to 21. Parents can make contributions to Roth IRAs for their children. Any contributions to the child are counted toward the parents' Roth contribution limits. The accounts will also become ordinary Roth IRAs when the account holder turns 22.
- **STUDENT LOAN INTEREST DEDUCTION** – Increases the deduction to \$3,000 for annual student loan interest payments for qualified education loans, which taxpayers may take whether they itemize deductions or not.
- **QUALIFIED ZONE ACADEMY BONDS (QZABs)** – Extends for 2006 and 2007 QZAB's, which provide an alternative to traditional tax-exempt bonds for school renovation funding, allowing holders to receive Federal tax credits in lieu of interest payments. Also expands QZABs to allow tribal colleges with small endowments to use the bond proceeds for school renovation, teacher training, course materials and other educational expenditures.
- **CHARITABLE CONTRIBUTIONS AND DEDUCTIONS** – Allows companies that assemble computers and publishers to take an enhanced deduction for charitable contributions for educational purposes.

Additional information about the Baucus Education Competitiveness Act can be found at <http://finance.senate.gov/sitepages/baucus.htm>.

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