

## **Students Benefit from Changes to Federal Financial Aid and Education Tax Cuts**

### **A Message from Executive Director Diana Fuentes- Michel**

Many of you may be wondering how President Barack Obama's economic stimulus package may effect financial aid assistance. I want to share with you some of the highlights of the package to ease concerns you may have.

The stimulus package will significantly augment spending for higher education by enhancing financial aid, expanding work-study programs and creating a new tuition tax credit. The federal law will provide students with the following additional financial assistance for student expenses.

- As one of the most important forms of financial aid, maximum Pell Grant benefits will increase from \$4,850 to \$5,350 for 2009-10. Pell grant increases will be implemented by the school the student is attending.
- The package would create a tax credit of \$2,500, up from \$1,800. Students and parents may be able to claim a credit against their federal taxes that could increase their federal tax refund. Eligible expenses would include books and other course materials. Currently, only tuition and fees are eligible expenses.
- These new tax credit provisions are specific to tax years 2009-10 for the first 4 years of post-secondary education and are subject to phase out for taxpayers with adjusted gross incomes in excess of \$80,000 (\$160,000 for married couples filing jointly).
- The tax credit could be taken when filing federal taxes for the year in which the student was enrolled in college.
- Student employment will be assisted by the addition of \$200 million in funding to the Federal Work-Study Program, a program that provides jobs to students for their educational expenses. Federal Work-Study jobs will be made available by the student's school.

Additional information about the American opportunity tax credit can be located at [American opportunity tax credit](#). Information about current changes to the Hope Tax Credit specific to tax years 2009-10 can be located at [www.internal revenue service](#)