



Tax Benefits for Education Part 2

Course #33852B

Taxes

2 Credit Hours

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TAX BENEFITS FOR EDUCATION PART 2

This course explores a variety of tax benefits available for education-related expenses. Topics include the use of Coverdell ESAs, qualified tuition programs, and IRA distributions exempt from early withdrawal penalties. It also covers tax-free bond redemptions for education, employer-provided educational assistance plans, and the deductibility of work-related education expenses. The course offers practical guidance for maximizing education-related tax savings.

LEARNING ASSIGNMENTS AND OBJECTIVES

As a result of studying each assignment, you should be able to meet the objectives listed below each individual assignment.

SUBJECTS

Student Loan Cancellations and Repayment Assistance
Coverdell Education Savings Account (ESA)
Qualified Tuition Program (QTP)
Education Exception to Additional Tax on Early IRA Distributions
Education Savings Bond Program
Employer-Provided Educational Assistance
Business Deduction for Work-Related Education

Study the course materials

Complete the review questions at the end of each chapter

Answer the exam questions 1 to 10

Objectives:

- Recognize the proper tax treatment for student loans and the cancellations or repayment assistance of such.
- Recognize how a Coverdell ESA can be used as a tax benefit for education.
- Recognize the tax benefits available through the use of a qualified tuition program.
- Recognize how early distributions from an IRA can be exempt from the 10% early withdrawal penalty when used for education.
- Identify who can cash in bonds tax free when used for education.
- Recall how employer-provided educational assistance plans work and their benefits.
- Identify what work-related education expenses may be able to be deducted as a business expense.

NOTICE

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EXAM OUTLINE

- **TEST FORMAT:** The final exam for this course consists of 10 multiple-choice questions and is based specifically on the information covered in the course materials.
- **ACCESS FINAL EXAM:** Log in to your account and click Take Exam. A copy of the final exam is provided at the end of these course materials for your convenience, however you must submit your answers online to receive credit for the course.
- **LICENSE RENEWAL INFORMATION:** This course qualifies for **2 CPE hours**.
- **PROCESSING:** You will receive the score for your final exam immediately after it is submitted. A score of 70% or better is required to pass.
- **CERTIFICATE OF COMPLETION:** Will be available in your account to view online or print. If you do not pass an exam, it can be retaken free of charge.

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CHAPTER 1: STUDENT LOAN CANCELLATIONS AND REPAYMENT ASSISTANCE

Chapter Objective

After completing this chapter, you should be able to:

- Recognize the proper tax treatment for student loans and the cancellations or repayment assistance of such.

I. INTRODUCTION

Generally, if you are responsible for making loan payments, and the loan is canceled or repaid by someone else, you must include the amount that was canceled or paid on your behalf in your gross income for tax purposes. However, in certain circumstances, you may be able to exclude this amount from gross income if the loan was one of the following.

- A loan for postsecondary educational expenses.
- A private education loan.
- A loan from an educational organization described in section 170(b)(1)(A)(ii).
- A loan from an organization exempt from tax under section 501(a) to refinance a student loan.

II. LOAN FOR POSTSECONDARY EDUCATIONAL EXPENSES

This is any loan provided expressly for postsecondary education, regardless of whether provided through the educational institution or directly to the borrower, if such loan was made, insured, or guaranteed by one of the following.

- The United States, or an instrumentality or agency thereof.
- A state, territory, or possession of the United States; or the District of Columbia; or any political subdivision thereof.
- An eligible educational institution.

Eligible educational institution An eligible educational institution is generally any accredited public, nonprofit, or proprietary (privately owned profit-making) college, university, vocational school, or other postsecondary educational institution. Also, the institution must be eligible to participate in a student aid program administered by the U.S. Department of Education. Virtually all accredited postsecondary institutions meet this definition.

An eligible educational institution also includes certain educational institutions located outside the United States that are eligible to participate in a student aid program administered by the U.S. Department of Education.

Tip



The educational institution should be able to tell you if it is an eligible educational institution.

III. PRIVATE EDUCATION LOAN

A private education loan is a loan provided by a private educational lender that:

- Is not made, insured, or guaranteed under Title IV of the Higher Education Act of 1965, and
- Is issued expressly for postsecondary educational expenses to a borrower, regardless of whether the loan is provided through the educational institution that the student attends or directly to the borrower from the private educational lender. A private education loan does not include an extension of credit under an open end consumer credit plan, a reverse mortgage transaction, a residential mortgage transaction, or any other loan that is secured by real property or a dwelling.

Private educational lender. A private educational lender is one of the following.

- A financial institution that solicits, makes, or extends private education loans.
- A federal credit union that solicits, makes, or extends private education loans.
- Any other person engaged in the business of soliciting, making, or extending private education loans.

Caution!



The cancellation of your loan will not qualify for tax-free treatment if it is canceled because of services you performed for the private educational lender that made the loan or other organization that provided the funds.

IV. LOAN FROM AN EDUCATIONAL ORGANIZATION DESCRIBED IN SECTION 170(b)(1)(A)(II)

This is any loan made by the organization if the loan is made:

- As part of an agreement with an entity described earlier under which the funds to make the loan were provided to the educational organization; or
- Under a program of the educational organization that is designed to encourage its students to serve in occupations with unmet needs or in areas with unmet needs where the services provided by the students (or former students) are for or under the direction of a governmental unit or a tax-exempt section 501(c)(3) organization.

Educational organization described in section 170(b)(1)(A)(ii). This is an educational institution that maintains a regular faculty and curriculum and normally has a regularly enrolled body of students in attendance at the place where it carries on its educational activities.

Section 501(c)(3) organization. This is any corporation, community chest, fund, or foundation organized and operated exclusively for one or more of the following purposes.

- Charitable.
- Religious.
- Educational.
- Scientific.
- Literary.
- Testing for public safety.
- Fostering national or international amateur sports competition (but only if none of its activities involve providing athletic facilities or equipment).
- The prevention of cruelty to children or animals.

Caution!



The cancellation of your loan will not qualify for tax-free treatment if it is canceled because of services you performed for the educational organization that made the loan or other organization that provided the funds.