

## Tax Breaks Ease Education Costs -- If You Claim Them

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KANSAS CITY, MO, Mar 21, 2011 (MARKETWIRE via COMTEX) --

The average cost to attend a public, four-year college is nearing \$20,000 a year.(1) Tuition at some state schools increased nearly 8 percent last year alone.(2) Tax breaks for higher education can help taxpayers trim their tax bills -- if they know to claim them.

"Missed education tax breaks are among the most frequently found when H&R Block tax preparers perform Second Look reviews on new clients' tax returns," said Elaine Smith, master tax advisor at H&R Block. "Saving on education costs means more money for other things you need and want. But you don't have to be an economics major to save on the cost of education; tax breaks are available to help."

H&R Block offers five ways filing tax returns can ease the cost of higher education:

1. Don't miss these three valuable tax breaks -- Whether a freshman in college or a professional juggling work and graduate school, tax credits and deductions are available to help students save. Many taxpayers fail to claim these -- don't be one of them:

- With the American Opportunity Credit, taxpayers can claim \$2,500 for each of the first four years of college education for each student seeking an undergraduate degree at an eligible educational institution.
- The Tuition and Fees Deduction could provide a reduction in taxable income of up to \$4,000. The student must have a high school diploma or GED certificate, and must take college or graduate classes at an eligible institution.
- The Lifetime Learning Credit is worth up to \$2,000 annually for those seeking a college or graduate degree, and those taking classes to improve job skills.

2. To receive financial aid, you must apply -- Nearly 80 percent of eligible students at four-year colleges fail to complete the Free Application for Federal Student Aid (FAFSA).(3) This means students likely to benefit most from receiving financial aid miss out on receiving millions of dollars. Financial aid is distributed on a first come, first served basis. Some information on tax returns must be included on FAFSA forms, which is the first step in the application process.

3. Deduct your student loan interest -- This deduction can be up to \$2,500 annually for payments made on a qualified education loan.

4. Some scholarship money is taxable, but not all -- Generally, scholarship, grant and fellowship money is tax-free if the student is a degree candidate and the scholarship money is used to pay for qualified education expenses, such as tuition, fees and required textbooks. But, money from scholarships and grants left over from paying for tuition and other qualified expenses is taxable income and should be reported on a 1040 form -- even if it is used to pay for room and board. Scholarship, grant or fellowship money given for the stated purpose of paying room and board also is taxable even if it is used for another purpose.

5. Saving for college can't start soon enough -- Saving for enrollment or attendance expenses for kindergarten through college at any public or private school can be done with a Coverdell Education Savings Account. Parents can invest in 529 Plans, some of which enable prepayment of qualified education expenses. Also, education savings accounts and prepayment plans allow earnings to grow tax-deferred, and distributions are tax-free if they are less than qualified expenses.

To help taxpayers ensure the accuracy of their returns, participating H&R Block retail tax offices nationwide are offering free Second Look(R) reviews through March 31 on new and existing clients' 2007-2010 tax returns. Taxpayers eligible for a Second Look(R) review are those who prepared their own taxes or used a tax preparation company other than H&R Block.

For more information about education tax breaks, contact a local H&R Block tax professional. To find the nearest H&R Block office, visit [www.hrblock.com](http://www.hrblock.com) or call 800-HRBLOCK.

H&R Block provides guaranteed, income tax return preparation services through its company-owned and franchise offices, and the H&R Block At Home online and desktop solutions. For an online tutorial, join H&R Block's Get It Right Community tax forum, and visit its Twitter and Facebook pages.

(1) U.S. News (Aug. 24, 2010) (2) USA Today (October 2010) (3) Diverse Education (May 2010)

About H&R Block H&R Block Inc. (NYSE: HRB) is one of the world's largest tax services providers, having prepared more than 550 million tax returns worldwide since 1955. In fiscal 2010, H&R Block had annual revenues of \$3.9 billion and prepared more than 23 million tax returns worldwide, utilizing more than 100,000 highly trained tax professionals. The Company provides tax return preparation services in person, through H&R Block At Home(TM) online and desktop software products, and through other channels. The Company is also one of the leading providers of business services through RSM McGladrey. For more information, visit our Online Press Center.

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