

Maranatha Students' 2008 and 2009 Hope and Lifetime Learning Credits

Most Maranatha students (current and new undergraduates) will earn increased federal education credits in 2008 and 2009. Due to a federal disaster declaration for Jefferson County, Wisconsin, in June 2008, Maranatha students and their parents will enjoy three unique benefits on their 2008 and 2009 tax returns:

1. Qualified higher education expenses normally include tuition and required fees only. For 2008 and 2009, books, supplies, equipment, **and room and board** count as well.
2. Hope credits rise up to \$3,600 annually rather than the maximum \$1,800 amount available to all other US students in 2008.
3. Lifetime Learning credits can be as high as \$4,000 annually rather than the standard \$2,000 maximum.

Students who earned little or no federal education credit in the past may find themselves (or their parents) enjoying substantial benefits.

How can this be?!

On June 14, 2008, President Bush declared Jefferson County, Wisconsin, a disaster area due to severe storms, tornados, and flooding (www.fema.gov). On October 3, 2008, the President signed the Emergency Economic Stabilization Act of 2008. The rescue bill included a substantial number of tax provisions intended to stimulate the economy and provide assistance to distressed individuals and organizations. Section 702 of that bill bears the title *Temporary Tax Relief for Areas Damaged by 2008 Midwestern Severe Storms, Tornados, and Flooding*. The new bill applied identical provisions of Public Law 109-135—the Gulf Opportunity Zone Act of 2005 (“GO Zone”) designed to provide aid after Hurricane Katrina—to ten Midwestern States including Wisconsin.

Accordingly, Section 1400O of the GO Zone bill applies to “an individual who attends an eligible educational institution...located in [Jefferson County, Wisconsin] during 2008 or 2009.” The GO Zone legislation expanded the definition of qualified tuition and related expenses, and doubled the maximum credit amounts for Hope and Lifetime Learning Credits.

How will I file for the credit?

Just as 2005 and 2006 Form 8863 (Education Credits) calculated the GO Zone bonus credits “for each student who attended an eligible institution in the Gulf Opportunity Zone” (<http://www.irs.gov/pub/irs-prior/f8863--2006.pdf>), the 2008 and 2009 Form 8863 will once again have these instructions for those attending certain Midwestern schools. Tuition, required fees, books, supplies, equipment, and room and board (must be at least a ½ time student) paid to the College in 2008 and 2009 will qualify. IRS Publication 4492-B provides additional information to assist those claiming the credit.

As you might imagine, the provisions of the Internal Revenue Code and the new tax laws are complex. Maranatha students and their parents must consult their tax professionals for specific application of these provisions to their personal situations.