

Tax Deductions that Can Make a Difference!

Important Information on Medical and Educational Tax Deductions
for Prospective and Current Landmark Students



LANDMARK
C O L L E G E

The College of Choice for Students Who Learn Differently

www.landmark.edu

1. Deductibility of Tuition & Fees as Medical Expenses

Landmark College's tuition, fees and other associated expenses may qualify as medical tax deductions. Other expenses may include room and board, books and supplies, a computer and certain travel costs. IRS Publications 502-Medical and Dental Expenses and 907-Tax Information for Persons with Disabilities states:

"You can include in medical expenses the cost (tuition, meals and lodging) of attending a school that furnishes special education to help a child to overcome learning disabilities. A doctor must recommend that the child attend the school. Overcoming the learning disabilities must be a principal reason for attending the school, and any ordinary education must be incidental to the special education provided."

The IRS permits taxpayers to deduct any medical or dental expenses that exceed 7.5% of their Adjusted Gross Income (AGI). **Every January, Landmark College provides a letter to the families of its students detailing the amounts paid to the College for the previous calendar year.**

The following quote comes from a private letter ruling (200521003) issued by the IRS on May 27, 2005 that addresses the very nature of the type of education offered at Landmark College. **You may wish to share this with your accountant or tax advisor.**

"Helping the student overcome a physical or mental handicap and move on to normal education and living is the essence of special education. Normal education is not medical care because it is not designed to help someone overcome a medical disability. Thus, a physician or other qualified professional must diagnose a medical condition requiring special education to correct the condition for that education to be medical care. The school need not employ physicians to provide that special education, but must have professional staff competent to design and supervise a curriculum providing medical care. Overcoming the learning disabilities must be a principal reason for attending the school, and any ordinary education received must be incidental to the special education provided."

2. The American Opportunity Tax Credit

This tax credit for up to four years of undergraduate post-secondary education is currently available for the 2009 through 2012 tax years*. It allows you to claim a tax credit of 100% of the first \$2,000 of qualified educational expenses (including cost of materials such as books, supplies and equipment) and 25% of the second \$2,000 of qualified educational expenses, to a maximum credit of \$2,500 per student.

An eligible taxpayer must file a federal tax return to claim this credit. This tax credit is available to taxpayers with an income of \$90,000 (\$180,000 if filing jointly). The student must be enrolled at least half time (at Landmark College that is six credits or the equivalent thereof if the student is enrolled in remedial course work). This credit may be claimed against the alternative minimum tax. If you plan to claim this credit, Landmark College will provide a 1098-T statement for your use in completing IRS Form 8863.

NOTE: At the time of publication, an extension of the American Opportunity Tax Credit for 2013 was under review by Congress.

3. The Lifetime Learning Tax Credit

A family can claim a tax credit of up to \$2,000 per tax year for an eligible dependent (or the taxpayer or taxpayer's spouse) for an unlimited number of years. The credit is 20% of the first \$10,000 of qualified educational expenses paid for all eligible students. This tax credit is available to taxpayers with an income of less than \$61,000 (\$122,000 if filing jointly). The Lifelong Learning Tax Credit is available for all years of postsecondary education, and for courses to acquire or improve job skills.

IMPORTANT THINGS TO KNOW ABOUT THE TAX CREDITS

- You cannot claim both the American Opportunity Tax and Lifetime Learning Tax Credits for the same student. If you have more than one student in your family, you can claim an American Opportunity Tax Credit for each eligible student, and a Lifetime Learning Credit as long as the same student is not being used as the basis for each credit and the family does not exceed the Lifetime Learning maximum credit of \$2,000 per family per tax year.
- Both the American Opportunity Tax Credit and the Lifetime Learning Tax Credits are deducted from your tax liability, *not from your taxable income*. If your tax liability before applying the credit is less than the credit you are entitled to, you may receive up to 40% of the American Opportunity Tax Credit as a refund.

How the Medical Expense Deduction and Tax Credits Options Impact Actual Landmark Families

The following examples illustrate the impact of the medical expense deduction and the tax credit options on the tax liabilities on Landmark families (the names have been changed for privacy reasons). Although these examples are based on actual returns, your situation may be very different.

For example, there may also be implications for state income taxes depending upon the laws of your state. You should always seek the advice of a professional tax advisor for the most accurate and up-to-date information.

NOTE: The following examples do not incorporate loan or scholarship information for siblings enrolled in a college or university other than Landmark.

THE JOHNSON FAMILY

Susan Johnson is a single parent whose daughter Lauren is a Landmark student. Lauren's educational expenses are \$57,555 and she receives \$30,000 in scholarship assistance.

	Without Medical Deduction	With Medical Deduction (Estimated)
Adjusted Gross Income	\$ 81,039	\$ 81,039
Itemized Deduction	\$ 17,475	\$ 34,952
Taxable Income	\$ 56,164	\$ 38,687
Tax	\$ 10,169	\$ 5,794
Credits	\$ 0	\$ 2,240 *
Total Tax Owed	\$ 10,169	\$ 3,554
Federal Tax Withheld	\$ 10,535	\$ 10,535
Tax Owed (-) or Refunded (+)	+\$ 366	+\$ 6,981

THE WILSON FAMILY

Kimberly and Alan Wilson are the parents of Zoe. Zoe's education expenses are \$57,555 and her scholarship assistance total is \$24,000.

	Without Medical Deduction	With Medical Deduction (Estimated)
Adjusted Gross Income	\$ 112,761	\$ 112,761
Itemized Deduction	\$ 7,922	\$ 29,020
Taxable Income	\$ 90,061	\$ 72,641
Tax	\$ 14,769	\$ 10,406
Credits	\$ 0	\$ (2,500) *
Self Employment tax	\$ 3,391	\$ 3,391
Total Tax	\$ 18,160	\$ 11,291
Fed Tax Withheld	\$ 13,535	\$ 13,535
Tax Owed (-) or Refunded (+)	- \$ 4,625	+\$ 2,244

THE ROSS FAMILY

Anita and Rob Ross have two children in college. Jennifer attends a state university and David is a Landmark student. David's educational expenses are \$57,655 and his scholarship assistance is \$5,000.

	Without Medical Deduction	With Medical Deduction (Estimated)
Adjusted Gross Income	\$ 144,798	\$ 144,798
Itemized Deduction	\$ 13,264	\$ 51,759
Taxable Income	\$ 116,034	\$ 78,239
Tax	\$ 21,259	\$ 11,806
Credits	\$ 275	\$ 2,775 *
Total Tax	\$ 20,948	\$ 9,301
Fed Tax Withheld	\$ 23,943	\$ 23,943
Tax Owed (-) or Refunded (+)	+\$ 2,959	+\$ 14,642

THE HENNING FAMILY

Matt and Elise Henning are the parents of Will and Warren, both enrolled in college. As a Landmark student, Warren's educational expenses total \$57,655. He receives \$8,000 in scholarship assistance. Will attends a private college close to home.

	Without Medical Deduction	With Medical Deduction (Estimated)
Adjusted Gross Income	\$ 270,877	\$ 270,877
Itemized Deduction	\$ 55,363	\$ 84,702
Taxable Income	\$ 200,714	\$ 171,375
Tax	\$ 44,269	\$ 36,055
Credits	\$ 0	\$ 0
Total Tax	\$ 44,269	\$ 36,055
Fed Tax Withheld	\$ 52,750	\$ 52,750
Tax Owed (-) or Refunded	+\$ 8,481	+\$ 16,695

* Indicates the American Opportunity Tax Credit is included.

Other Tax Deductions Worth Noting

TUITION AND FEES TAX DEDUCTION

This deduction can reduce the amount of your taxable income by as much as \$4,000 per tax year, and is subtracted from your income. You can claim it even if you do not itemize, and it can benefit you if you do not qualify for either the American Opportunity Tax Credit or Lifetime Learning Tax Credit.

Qualified educational expenses include tuition and fees, and certain related expenses such as books and supplies. The taxpayer must file a federal tax return and claim the eligible student as a dependent. This tax deduction is available to taxpayers with an annual income of \$65,000 or less (\$130,000 if filing jointly). With annual earnings of more than \$65,000 (\$130,000 if filing jointly) but not more than \$80,000 (\$160,000 if filing jointly), you can deduct up to \$2,000.

NOTE: At the time of publication, the Tuition and Fees Tax Deduction was scheduled to expire in December 2012.

You cannot use the *Tuition and Fees Tax Deduction* if you deduct tuition and fee expenses under any other provision of the law — such as the medical deduction.

STUDENT LOAN INTEREST DEDUCTION

You may take a tax deduction of up to \$2,500 on the interest you pay each year on a student loan for yourself, your spouse (if married) or a person who was your dependent when the loan was taken out.

NOTE: The student must have been enrolled at least half-time when the loan was taken out. You may claim this deduction even if you do not itemize. This tax credit is available to taxpayers with an annual income of less than \$75,000 (\$150,000 if filing jointly). Starting in 2013, this deduction will only be available for the first 60 months of repayments and will be subject to elimination for taxpayers with incomes over \$55,000 (\$75,000 if married filing jointly).

For answers to frequently asked questions about these two programs, consult *IRS Publication 970 – Tax Benefits for Higher Education* and *Tax Topic 513 – Educational Expenses*.

FOR MORE INFORMATION

For more information on these and other financial aid programs and services at Landmark College, please contact:

Office of Enrollment Management
Landmark College
River Road South
Putney, VT 05346

Telephone: 802-387-6718
Email: financialaid@landmark.edu

How Your Family Can Take Advantage of Significant Tax Deductions When Attending Landmark College

There's no question that the cost of attending any college or university demands a significant financial commitment. That is especially true at Landmark College, where our educational experience incorporates intensive individual support with the strategic use of the latest in assistive technology. This approach — while costly — distinguishes us as the most effective college in the world for students with language-based learning disabilities (such as dyslexia), attention deficit hyperactivity disorder (ADHD) and autism spectrum disorders (ASD).

There are a number of valuable tax deductions and credits, however, that can help reduce the overall impact of a Landmark education on your family's "bottom line." This brochure provides highlights on the following:

- Many families are unaware that some or all of the cost of a Landmark education may be deductible as medical expenses. Rulings by the IRS indicates that a wide range of special education expenses — like the programs offered at Landmark — may be deductible as medical expenses.
- The *American Opportunity Tax Credit* and the *Lifetime Learning Tax Credit* offer tax benefits to help with higher education costs.
- Two additional education-related deductions — *Tuition and Fees Tax Deduction* and the *Student Loan Interest Deduction* — can also reduce your family's educational expenses.

IMPORTANT!

Because individual circumstances vary widely, you should discuss these and other options with your accountant or tax advisor to determine their impact on your family and the best way to file. The information included in this publication is current as of August 2012. Please keep in mind, however, that federal tax laws and regulations are subject to change.



LANDMARK COLLEGE

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