



FINANCE AND ADMINISTRATION CABINET
KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY

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Money Tip for Students, January 2022

Tax tips for students

Income tax filing season is approaching, and students may want to consider these tips from the Kentucky Higher Education Assistance Authority (KHEAA) to help the tax preparation process go more smoothly.

“Kentucky’s economy has experienced historic growth over the past two years,” Gov. Andy Beshear said. “In order to continue that growth, we need to help even more Kentuckians access higher education, and available tax credits and deductions can make it more affordable.”

Before students file their tax return, they should discuss the situation with their parents who may be able to claim them as a dependent, which could save them thousands of dollars.

Additionally, students and parents may be able to take advantage of these programs on their federal taxes:

- **American Opportunity Credit**, available for the first four years of college.
- **Lifetime Learning Credit**, available if a taxpayer or a dependent is taking college courses to acquire or improve job skills.
- **Tuition and fees deduction**, which lets taxpayers deduct qualified education expenses paid during the year for themselves or a dependent. These expenses must be for college.
- **Student loan interest deduction**, which lets people deduct up to \$2,500 per year on federal taxes for interest paid on federal student loans.

For more detailed information about federal programs, go to irs.gov to download the free Publication 970 Tax Benefits for Education.

Kentucky also offers a tuition tax credit for undergraduate students who attend state colleges.

Tax rules may change from year to year, so make sure you have the most up-to-date information before filing a return. If you have questions about what financial aid is taxable, you should consult a tax professional.

KHEAA is the agency that administers the state's grant and scholarship programs, including the Kentucky Educational Excellence Scholarship (KEES). The agency also provides free copies of "It's Money, Baby," a guide to financial literacy, to Kentucky schools and residents upon request at publications@kheaa.com.

Many of KHEAA's student aid programs are funded by Kentucky Lottery receipts.

For more information about Kentucky scholarships and grants, visit kheaa.com; write to KHEAA, P.O. Box 798, Frankfort, KY 40602; or call 800-928-8926, ext. 6-7214.