

TUITION DEDUCTION

Section 612(c)(17) of the New York State Tax Law allows a deduction for part of the tuition expenses paid on behalf of a dependent during the year to an institution of higher education which is located in New York State. The tuition deduction is limited to one half the tuition paid less any TAP award or \$1,000, whichever is less.

In order to arrive at tuition paid, consideration has to be given to scholarships and grants such as; institutional and outside scholarships, New York State Regents Scholarships, Pell Grants (federal and institutional grants), etc. When a scholarship, grant or award (made to a student for a high school or college achievement) is given contingent upon the individual attending college, the amount received must be subtracted from the tuition charge to arrive at the tuition paid. If the scholarship, grant or award is not contingent on the individual attending college, the amount received is not applied against the tuition charge. The TAP award is not subtracted from the tuition charge, since the law specifically requires that this money must reduce 50% of the tuition paid before the \$1000 limitation is applied. Student loans would not be subtracted from the tuition charge, since they are considered as amounts paid by the parent.

In instances where a scholarship or grant can definitely be associated solely to the tuition charge, the entire scholarship or grant would be subtracted from the tuition charge to arrive at tuition paid.

In instances where the college charge is for tuition, room and board, the scholarship or grant may not be associated solely to tuition. In order to arrive at tuition paid in these cases, a proportionate amount of the scholarship or grant must be found based on tuition charge to total charges by the college.

The formula to allocate the scholarships would be as follows:

$$\frac{\text{tuition charge}}{\text{total charges}} \times \text{awards money}$$

equals awards money to be applied against the tuition charge

Example 1:

Student "A" had school charges from his college for tuition of \$5,000 and room and board of \$2,500. The student received TAP (tuition assistance program) of \$1,000, PELL (student's entitlement federal grant) of \$1,000, a scholarship (contingent on the individual attending college) of \$3500 and a NDSL (student loan) of \$1500.

The portion of the scholarship relating to the tuition charge must be found before tuition paid is known:

$\frac{\$5,000 \text{ (tuition charge)}}{\$7,500 \text{ (tuition-room and board)}} \times \$4,500 \text{ (Pell } [\$1000] \text{ and scholarship } [\$3500])$

equals \$3,000 (awards money to be applied against tuition charge)

Tuition charge	\$5,000
Less proportionate share of awards money	<u>3,000</u>
Tuition paid	\$2,000
50% allowable	\$1,000
Less TAP	<u>1,000</u>
Tuition deduction	<u><u>- 0 -</u></u>

Example 2:

Student "B" had school charges from his college for tuition of \$3,000 and room and board of \$2,000. The student received a New York State regents scholarship of \$250, a scholarship (contingent on the individual attending college) of \$2000 and a scholarship (not contingent on the individual attending college) of \$1000.

Again a proportionate amount of the scholarships relating to tuition charge must be found:

$\frac{\$3,000 \text{ (tuition charge)}}{\$5,000 \text{ (tuition - room and board)}} \times \$2,250$ (Regents [\$250] + scholarship [\$2,000])

equals \$1,350 (awards money to be applied against tuition charge)

Tuition charge	\$3,000
Less proportionate share of award's money	<u>1,350</u>
Tuition paid	\$1,650
50% allowable	\$ 825
Maximum allowable	\$1,000
Tuition deduction	<u><u>\$ 825</u></u>

This memorandum is to be used in conjunction with TSB-M-78-(4)-I, TSB-M-79-(1)-I, TSB-M-79-(3)-I and TSB-M-81-(2)-I.