

**MEMO# 10647**

January 15, 1999

# **IRS PROPOSED REGULATION ON EDUCATION TAX CREDIT PROGRAMS**

[10647] January 15, 1999 TO: PENSION COMMITTEE No. 2-99 RE: IRS PROPOSED  
REGULATION ON EDUCATION TAX CREDIT PROGRAMS

The Internal Revenue Service has issued a proposed regulation on the “Hope” and “Lifetime Learning” tax credit programs. These programs and the Education IRA program were established under the Taxpayer Relief Act of 1997 (TRA '97). In general, the Hope Scholarship Credit and Lifetime Learning Credit allow taxpayers to claim nonrefundable credit against their federal income taxes for certain postsecondary education expenses. The proposed regulation provides comprehensive guidance on the Hope Scholarship and Lifetime Learning tax credit programs. Specifically, the guidance provides rules for coordination of the two programs and the calculation of credit amounts, describes the nature of “qualified tuition and related expenses” for which individuals may claim the credits, further describes eligibility requirements for each credit program, and presents rules relating to the characterization and timing of payments of educational expenses. With respect to the Education IRA, the proposed regulation, in accordance with TRA '97, provides that no education credit is allowed for a taxable year for the qualified tuition and related expenses of a student if during the taxable year, a qualified distribution is made to, or on behalf of, the student from an Education IRA. See Section 1.25A-1(e) of the proposed regulation. Comments on the proposed regulation must be filed by April 6, 1999. The regulation is proposed to be effective on the date they are published as final regulations in the Federal Register. Russell G. Galer Senior Counsel Attachment