



News Release

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Economic Stimulus Package Benefits College Students

PIERRE, S.D. – College students and their families will get more help paying for higher education through tax credits and Pell Grant increases that are part of federal stimulus funding.

The South Dakota Board of Regents was briefed last week on higher education initiatives contained in the American Recovery and Reinvestment Act, more commonly known as the economic stimulus package. Mark Lee, executive dean of University Center in Sioux Falls, and Sharon Kienow, financial aid director at Northern State University, outlined the impact of the act on financial aid options for students.

Two major financial aid changes will positively affect hundreds, if not thousands, of students and their families in South Dakota. First, the act replaces the HOPE tax credit with the American Opportunity Tax Credit. Second, it allocates funds to increase the number of and the maximum amount for Pell Grant awards.

American Opportunity Tax Credit

The American Opportunity Tax Credit is an improvement over the HOPE credit in many ways. “This new credit will have a significant impact on students and families, and in particular a significant impact on students who attend school part time,” says Lee. “A student could take seven credit hours in the year, essentially for free. For an adult student who is juggling the responsibilities of school, work, and family, that financial relief can make a difference in the progress they make toward their degree.”

Major provisions of the new American Opportunity Tax Credit are:

- The tax credit has increased from \$1,800 per year (under HOPE) to \$2,500 per year.
- The cost of books and other course materials may be added to tuition and fees to determine a student’s eligible expenses.
- The credit is valid for four years, while HOPE was only valid for two years.
- Income eligibility limits are now much higher.

Due to the higher income eligibility limits, there is the potential for 7,000 additional families in South Dakota to qualify for the American Opportunity Tax Credit. These families previously would have been ineligible for the HOPE credit.

Federal Pell Grants

A boost in discretionary funds for the federal Pell Grants will add more than \$22 million in funding for South Dakota. The maximum Pell Grant award amount has increased from \$4,731 in 2008-09 to \$5,350 for 2009-10. It is set to increase even more for the 2010-11 year to a maximum amount of \$5,550.

Additionally, a change in the formula used to calculate the awards will result in more students becoming eligible to receive Pell Grants.