

OPPORTUNITY COST: THE *OTHER* COST OF COLLEGE

QUICK STATS

- ✘ **CONFERENCE:** Spending
- ✘ **TEAM:** Internal Revenue Service
- **FUMBLE:** Failing to adequately check tax returns
- **HOW TO RECOVER THE BALL:** Collect college enrollment data in a timely fashion that correlates with tax refunds

The U.S. has a world-renowned higher education system that churns out millions of accomplished graduates every year. Yet with all these college graduates the U.S. is unable to adopt a simple fix to the \$5.6 billion in fraud in the federal tax credit targeted at college education.²⁹⁰ The American Opportunity Tax Credit (AOTC) provides a partially refundable tax credit of up to \$2,000 for students enrolled in higher education programs. The credit was first made available in tax year 2009 and was extended through 2017.²⁹¹

The AOTC is reserved for individuals who seek a better future, receive an education, and have greater economic success. Many college students work part- to full-time jobs, juggle academics, and even raise families. IRS has a responsibility to ensure students and families have their returns efficiently processed, while eliminating fraudulent claims.

According to a Treasury Inspector General for Tax Administration (TIGTA) report examining 2012 returns, at least 1.7 million taxpayers who

claimed the AOTC provided no supporting documentation that a student had attended an academic institution.²⁹² Another 361,000 claims involved students who were not eligibly enrolled, and 64,000 individuals improperly received credits for students who were claimed on other taxpayers' returns.²⁹³ In fact 250 prisoners improperly received the AOTC.²⁹⁴ TIGTA concluded that "more than 3.6 million taxpayers (claiming more than 3.8 million students) received more than \$5.6 billion in potentially erroneous education credits (\$2.5 billion in refundable credits and \$3.1 billion in nonrefundable credits)."²⁹⁵

RECOVERY

AOTC fraud is so easy because IRS does not get enrollment data from the universities on time. Congress should work with IRS and universities to move the due-date for forms to IRS earlier. It should not take a degree from a higher education institution to come up with a simple and effective solution. \$5.6 billion in fraud is too much, even for government work.

For more information, please visit:

[Treasury Inspector General for Tax Administration: Billions of Dollars in Potentially Erroneous Education Credits Continue to Be Claimed for Ineligible Students and Institutions](#)