

Why GAO Did This Study

The federal government provides billions of dollars in assistance each year to students and families through federal student aid programs authorized under Title IV of the Higher Education Act of 1965 and through tax expenditures, such as credits and deductions. GAO was asked to (1) describe the size and distribution of Title IV student aid and tax expenditures available to assist students and families with higher education expenses; (2) assess the extent to which tax filers select higher education provisions that maximize their tax benefit; (3) summarize what is known about the effect of student aid and tax expenditures on student outcomes; and (4) describe factors that contribute to the effectiveness and efficiency of federal student assistance programs. GAO analyzed data from Education, IRS, and the Board of Governors of the Federal Reserve, and conducted a literature review for original empirical research. GAO also developed a framework for evaluating federal assistance and validated it with recognized experts of higher education finance.

What GAO Recommends

GAO recommends (1) that IRS and Education work together to develop a strategy to improve information provided to tax filers who appear eligible to claim a tax provision but do not and (2) that Education sponsor and conduct evaluative research into the effects of Title IV programs and tax expenditures at improving student outcomes. Education and IRS agreed with GAO's recommendations. Education noted that while it does not have access to tax data, it will work with IRS to assist in taxpayer outreach.

View [GAO-12-560](#). For more information, contact James R. White at (202) 512-9110 or whitej@gao.gov or George A. Scott at (202) 512-7215 or scottg@gao.gov.

HIGHER EDUCATION

Improved Tax Information Could Help Families Pay for College

What GAO Found

Multiple Title IV programs and tax expenditures provided substantial aid to populations across income levels. In 2009, 12.8 million students received Title IV aid, and approximately 18-million tax filers claimed a higher education tax benefit for current expenses. Recent increases in both programs from 2008 to 2009 may be because of enrollment increases and legislative actions, among other factors. Title IV grants tend to benefit students and families with incomes below the national median (about \$52,000 from 2006–2010), while loans and work-study serve these students and those with family incomes above the median. Most tax benefits from the tuition and fees deduction and the parental exemption for dependent students went to households with incomes above \$60,000, whereas the majority of benefits from the other higher education tax expenditures in GAO's review—such as the American opportunity credit—went to households with lower incomes.

Tax filers do not always select tax expenditures that maximize their potential tax benefits, possibly because filers are unaware of their eligibility for the tax credit or deduction or are confused about their use. GAO analyzed 2009 IRS data for returns with information on education expenses and found about 14 percent of filers (1.5 million of almost 11-million eligible returns) failed to claim a credit or deduction for which they appear eligible. On average, these filers lost a tax benefit of \$466. The Internal Revenue Service (IRS) and Department of Education (Education) have taken steps to provide information on these provisions, but the number of filers failing to claim a higher education tax provision suggests more could be done. Developing a coordinated, comprehensive strategy to better inform eligible students could improve take-up of these tax provisions.

Despite efforts by Education, research on the effects of federal assistance for higher education on student outcomes—such as the likelihood students will continue their education—remains limited. Researchers have examined the effects of federal assistance on a limited basis, such as only for certain states or groups of students, but these studies provide an incomplete view of the effects of federal assistance. Continuing gaps in research on the effectiveness of federal assistance may be due, in part, to data and methodological challenges that have proved difficult to overcome. Recent changes in Title IV aid and tax expenditures—such as the introduction of the American opportunity credit in 2009—may provide opportunities for evaluative research, but Education officials told GAO they have not conducted such research. In an environment of constrained budgets, evaluative research can help inform policy decisions.

GAO identified factors that contribute to effective and efficient higher education assistance programs to help policymakers allocate limited resources among multiple programs. Factors include assessing whether a program achieves its goals and contributes to demonstrable results and whether it facilitates use by program beneficiaries. GAO developed a framework of questions that can be used as a policy tool for considering improvements to current programs or designing features of new programs.