



Money Management Tips & Tax Information

Why is money management (budgeting) important?

Though financial aid may cover much of the expense accrued at Bridgerland Technical College, it may not. Most financial aid programs do not keep up with the rising costs of obtaining education beyond high school and rarely cover all expenses associated with it, so it is very important that financial resources are managed wisely. Good money management helps solve the mystery of where money goes, and allows a student to know their financial situation at all times and avoid financial crisis.

How can money be managed effectively?

Budgeting is a personal matter and students should find the system that works best for them. Some may like a detailed budget plan while others may manage better using a few simple techniques. There are many ways to go about creating a budget, including using a budgeting app that connects to a bank account, making a spreadsheet with an online template, or simply jotting down information in a notebook. The following suggestions may assist in budget planning. These basic steps to budgeting are the same no matter what system is used:

Estimate income for the budget period. The length of expected program enrollment may be a good budget timeframe. Include savings, income from employment, Pell Grant, scholarships, additional assistance programs, as well as any family contributions that can likely be accessed while enrolled at the college.

Estimate expenses for the budget period. Tuition and fees, books, course materials, supplies and equipment costs at the college vary program by program. Estimated costs for each program are available on the Educational Programs page of the college website www.btech.edu. Other costs may vary but are within a student's control. Anticipate fixed expenses (bills that typically can't be avoided) such as living expenses (housing and food costs), miscellaneous personal expenses (like utilities, personal and health care, and insurance), transportation, and dependent care expenses. If possible, plan ahead and set aside money in advance for these expenses. Identify variable expenses (those expenses that are more flexible and often include "wants") such as memberships, travel, dining out and entertainment. If needed, these expenses could be cancelled without experiencing much fallout.

Keep a record of actual expenses. Keeping a record and recording what is spent each month, and listing expenses by categories provides a clearer picture of how money is expended.

Adjust spending patterns. Make budget revisions by looking for ways to stretch money coming in and reduce payments going out and by making adjustments any time there is a change in income or expense. Sticking to the budget and self-accountability are the way to reduce financial stress, maintain financial success, and achieve educational goals.

Does US Income tax need to be paid on Pell Grant, scholarship, or other assistance money a student receives?

Scholarship and grant money received may be taxable. To qualify as tax-free the money must be used for tuition and fees required for enrollment or attendance at the college, or for fees, books, supplies, and equipment required for courses at the college. Any money used for incidental expenses, such as room and board, travel, and optional equipment is considered non-exempt, so money spent on these items may be taxable.

The college is not responsible for withholding taxes or notifying students of their taxable amounts of grants and scholarships; therefore, students are encouraged to keep a list of how their grant, scholarship, and other financial aid money is spent. For more detailed information concerning the taxability of scholarships and grants, consult the current income tax form instruction booklet, a personal tax advisor, or visit the IRS at www.irs.gov or by calling 1-800-829-1040.

Are tax credits for education available?

The American opportunity and lifetime learning tax credits are available to help make education more affordable and significantly reduce the amount of federal income tax students may owe.

The American opportunity tax credit (AOTC) is a credit for qualified education expenses paid for an eligible student for the first four years of higher education. Students may qualify for the maximum annual credit of \$2,500 per eligible student.

The lifetime learning credit (LLC) is for qualified tuition-related expenses paid to eligible students in an eligible educational institution. There is no limit on the number of years this credit may be claimed. It's worth up to \$2,000 per tax return.

To be eligible to claim the AOTC or LLC, the law requires the taxpayer to have received Form 1098-T (Tuition Statement) from their school. The college sends this form to its eligible students, generally by January 31. This statement helps students figure out their tax credit. The form includes amounts received during the year but may not be the amount the student claims. There are other qualifying requirements for these credits as well. For more information read IRS Publication 970 (Tax Benefits for Education), visit the IRS website at www.irs.gov, consult your personal tax advisor, or call 1-800-829-1040 to get answers to federal tax questions 24 hours a day.

Where can I get more information?

The information on this sheet is provided to assist college students in understanding their obligations in reporting certain tax information. It also serves to assist in notifying students of certain tax benefits. However, the employees of the college cannot serve as tax consultants or financial advisors. Information regarding the American opportunity and lifetime learning tax credits is provided only as a service and interpretation may not reflect actual law. Therefore, students are encouraged to visit with the IRS, or their personal tax advisor, or review the income tax form instruction booklet. Federal tax and education credit information is available from the IRS at www.irs.gov or by calling 1-800-829-1040.