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Mike D'Avolio • Sep. 26, 2017

Regardless which major they choose, the school attended or the degree obtained, college graduates typically have some amount of student loans they must pay back. According to a 2016 [story](#) in *U.S. News and World Report*, 70 percent of students graduated with student loans and the average graduate held \$37,172 in student debt.

College debt can range from several, to hundreds of thousands of dollars, so students and parents can always use some guidance in the best ways to manage the loans and save money. This presents a great opportunity for tax professionals to provide advice to their clients. You can share available tax breaks, ways to reduce their loan payments and how to earn extra income to pay down the debt.

Student Loan Interest Deduction

With federal or private student loans, you can deduct the full amount of interest you paid (up to \$2,500) during the taxable year, as long as your modified adjusted gross income (MAGI) doesn't exceed \$80,000 as a single/head of household filer, or \$160,000 as a married couple filing jointly. If you're married filing jointly, you can only claim one deduction, not two. The deduction is gradually reduced according to your income level, and eventually eliminated when your MAGI reaches the annual limit for your filing status.

Tap a Home Equity Line of Credit

If you own your home, condominium or townhouse, and have some equity built up, you can take out a home equity line of credit to help you pay for college. This second

mortgage is a line of credit secured by your home. The mortgage rates on a home

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loan assistance that may be excluded from income: student loan cancellation and student loan repayment assistance.

To qualify for the exclusion for student loan cancellation, the loan must have been made by a qualified lender to assist you in attending an eligible educational institution (regular faculty and curriculum), and contain a provision that all or part of the debt will be canceled if you work for a certain period of time, in certain professions, and for any broad class of employees. You will not receive tax-free treatment if the cancellation is due to services you performed for the school that made the loan.

Student loan repayments made to you are tax-free if you received them for any of the following:

- National Health Service Corps (NHSC) Loan Repayment Program.
- A state education loan repayment program eligible for funds under the Public Health Service Act.
- Any other state loan repayment or loan forgiveness program that is intended to provide for the increased availability of health services in underserved or health professional shortage areas.

Should You Refinance Your Student Loans?

You may consider refinancing your student loans to take advantage of lower interest rates, a faster payoff term or a smaller monthly payment amount.

The original interest rates you have on your student loan might vary depending whether you borrowed from the government (more favorable) or a private lender (less favorable), and whether you borrowed for an undergraduate (lower rates) or graduate education (higher rates). After you graduate and have regular income, lenders may be willing to provide better rates because you are a lower risk to them.

Lowering your interest rate and shortening your term will reduce the amount of

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Paying Down Student Loans When Self-Employed

A creative way to pay off student loans is by taking on a flexible side job. Consider taking an inventory of all your professional skills, even the less obvious ones, and using them in a different way. In running your own business, you may be effective at handling invoicing, constructing websites or managing social media profiles. Not all self-employed people are necessarily good at those things, so it might be possible to market yourself as a consultant to other self-employed and small business owners.

The self-employed person can also consider making extra money through a side-gig that allows you to work from home and set your own hours. The most common remote jobs with very flexible schedules include online tutoring positions, brand ambassador jobs, writers, video captioning, web and software development, transcription, pet sitting and dog walking, and language interpreter jobs. Be sure to use the right keywords when doing an online search. Try searching for terms such as remote job, telecommuting job, virtual position and online job.

Be Your Clients' Trusted Advisor

Hopefully, you're now equipped you with some valuable information to share with your clients and prospects. Doing so solidifies your role as a trusted advisor who provides more than basic tax and accounting services. Everyone wins!

For more information, check out [*IRS Publication 970, Tax Benefits for Education*](#).

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