

Table T04-0155
College Opportunity Tax Credit (COTC):
Static Impact on Individual Income Tax Liability and Revenue (\$ billions), 2005-14¹

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total 2005-14
Calendar Year Liability											
Option 1: COTC Limited by Tentative AMT²	-8.2	-8.0	-8.1	-8.1	-8.1	-8.8	-8.8	-8.8	-8.7	-9.3	-84.8
Increase in Outlays Included Above	6.2	6.7	6.9	6.9	7.0	7.6	7.7	7.7	7.7	8.4	73.0
Option 2: COTC Not Limited by Tentative AMT	-8.2	-10.3	-10.7	-11.0	-11.2	-12.3	-12.5	-12.7	-12.8	-13.9	-115.7
Increase in Outlays Included Above	6.2	7.0	7.1	7.2	7.3	8.0	8.0	8.1	8.1	8.8	75.8
Fiscal Year Revenue³											
Option 1: COTC Limited by Tentative AMT²	-1.6	-8.1	-8.0	-8.1	-8.1	-8.3	-8.8	-8.8	-8.7	-8.8	-77.4
Increase in Outlays Included Above	1.2	6.3	6.8	6.9	6.9	7.1	7.7	7.7	7.7	7.9	66.3
Option 2: COTC Not Limited by Tentative AMT	-1.6	-8.6	-10.4	-10.8	-11.0	-11.5	-12.4	-12.6	-12.7	-13.0	-104.6
Increase in Outlays Included Above	1.2	6.4	7.0	7.1	7.2	7.4	8.0	8.1	8.1	8.2	68.8

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0304-5).

(1) Baseline assumes that the rest of the Kerry tax plan is enacted and includes the Working Families Tax Relief Act of 2004. Provisions include: repeal the Hope scholarship credit, effective 01/01/05. The above-the-line deduction for tuition and fees would be allowed to sunset 12/31/05 as scheduled under current law. Effective 01/01/05, the College Opportunity Tax Credit (COTC) would provide a 100-percent credit for the first \$1,000 of qualifying educational expenses and a 50-percent credit for the next \$3,000 of qualifying educational expenses; the \$1,000 and \$3,000 amounts would be indexed for inflation after 2001. The credit would be fully refundable. The phaseout thresholds would be the same as under current law for the Hope and Lifetime Learning credits. Eligibility for the COTC is the same as that for the Hope under current law except that students must be in the first four years of undergraduate study rather than the first two years.

(2) The COTC could not reduce a taxpayer's liability below the amount of his or her tentative alternative minimum tax for years after 2005.

(3) Fiscal year estimates assume a 20-80 split. The actual effect on receipts could differ.