

Subject 307

Interest Paid on Student Loans

Act 1126 of 1999 adopted Internal Revenue Code §221 concerning the interest deduction for student loans. You may take a deduction for interest paid on student loans if all of the following apply:

1. You paid interest during the year on a qualified student loan and at least part of the interest paid during the year was paid during the first sixty months that payments were required to be paid.
2. Your filing status is any except married filing separately on different returns (Status 5).
3. Your modified adjusted gross income is less than \$70,000 if filing status 1, 3 or 6; or \$145,000 if filing status 2 or 4.
4. You are not claimed as a dependent on someone else's tax return.

Use the Student Loan Interest Worksheet to calculate the allowed deduction for student loan interest. The deduction is taken on Form AR1000ADJ.