

Two Tax Credits to Help Pay Higher Education Costs

There are two federal tax credits available to help you offset the costs of higher education for yourself or your dependents. These are the American Opportunity Credit and the Lifetime Learning Credit. To qualify for either credit, you must pay postsecondary tuition and fees for yourself, your spouse or your dependent. The credit may be claimed by the parent or the student, but not by both. If the student was claimed as a dependent, the student cannot file for the credit.

For each student, you can choose to claim only one of the credits in a single tax year. You cannot claim the American Opportunity Credit to pay for part of your daughter's tuition charges and then claim the Lifetime Learning Credit for \$2,000 more of her school costs. However, if you pay college expenses for two or more students in the same year, you can choose to take credits on a per-student, per-year basis. You can claim the American Opportunity Credit for your sophomore daughter and the Lifetime Learning Credit for your senior son.

Here are some key facts the IRS wants you to know about these valuable education credits:

1. The American Opportunity Credit

The credit can be up to \$2,500 per eligible student.

It is available for the first four years of post-secondary education.

Forty percent of the credit is refundable, which means that you may be able to receive up to \$1,000, even if you owe no taxes.

The student must be pursuing an undergraduate degree or other recognized educational credential.

The student must be enrolled at least half time for at least one academic period.

Qualified expenses include tuition and fees, course related books supplies and equipment.

The full credit is generally available to eligible taxpayers who make less than \$80,000 or \$160,000 for married couples filing a joint return.

2. Lifetime Learning Credit

The credit can be up to \$2,000 per eligible student.

It is available for all years of postsecondary education and for courses to acquire or improve job skills.

The maximum credited is limited to the amount of tax you must pay on your return.

The student does not need to be pursuing a degree or other recognized education credential.

Qualified expenses include tuition and fees, course related books, supplies and equipment.

The full credit is generally available to eligible taxpayers who make less than

\$60,000 or \$120,000 for married couples filing a joint return.

You cannot claim the tuition and fees tax deduction in the same year that you claim the American Opportunity Tax Credit or the Lifetime Learning Credit. You must choose to either take the credit or the deduction and should consider which is more beneficial for you.

For more information about these credits see IRS Publication 970, Tax Benefits for Education