

Two Education Credits Help Pay Higher Education Costs

The American Opportunity Credit and the Lifetime Learning Credit may help you pay for the costs of higher education. If you pay tuition and fees for yourself, your spouse or your dependent you may qualify for these credits.

Here are some facts the IRS wants you to know about these important credits:

American Opportunity Credit

- The AOTC is worth up to \$2,500 per eligible student.
- The credit is available for the first four years of higher education at an eligible college, university or vocational school.
- The credit lowers your taxes and is partially refundable. This means you could get a refund of up to \$1,000 even if you owe zero tax.
- An eligible student must be working toward a degree, certificate or other recognized credential.
- The student must be enrolled at least half time for at least one academic period that began during the year.
- You generally can claim the costs of tuition and required fees, books and other required course materials. Other expenses, such as room and board, do not qualify.

Lifetime Learning Credit

- The credit is worth up to \$2,000 per tax return per year. The yearly limit applies no matter how many students are eligible for the credit.
- The credit is nonrefundable. This means the amount you can claim is limited to the amount of tax you owe.
- The credit is available for all years of higher education. This includes courses taken to acquire or improve job skills.
- You can claim the costs of tuition and fees required for enrollment or attendance. This includes amounts you were required to pay to the institution for course-related books, supplies and equipment.

You cannot claim either of these credits if someone else claims you as a dependent on his or her tax return. Both credits are subject to income limitations and may be reduced or eliminated depending on your income.

Keep in mind that you can't claim both credits for the same student in the same year. You may not claim both credits for the same expense. Parents or students claiming either credit should receive a Form 1098-T, Tuition Statement, from their educational institution. You should make sure it is complete and correct.