# About Education Credits

If the taxpayer or their dependent is a student, they may be eligible for one of the two education tax credits that cover common student expenses. These credits provide greater tax savings than a tuition deduction since they reduce a tax bill on a dollar-for-dollar basis. If the taxpayer is eligible to claim either credit, they should choose the one that provides the greatest tax savings.

**Note:** Taxpayers filing Married Filing Separately do not qualify for the education credit.

**Note:** The tuition and fees deduction is a nonrefundable credit for qualified education expenses. It generally returns a lesser benefit for the taxpayer and is therefore not usually considered for Tax Help Program clients.

## American Opportunity Credit

The American opportunity credit is specifically for college students and their parents. You can claim the credit on your taxes for a maximum of four years. If you are a graduate student but still in the first four (4) years of post-high school education, you can claim the AOC. The parents of the student will claim the credit if they paid the education expenses and the student is listed as a dependent on their return.

The American Opportunity Credit is worth up to $2,500 for the education expenses of each eligible student. To qualify, the student must pursue a degree at a school that is eligible to participate in the federal student aid program. The credit is only available to students in their first four years of attendance, who enroll at least half time for one academic period during the tax year, and who do not possess a felony drug conviction.

The amount of the credit begins to phase out for taxpayers above a certain modified adjusted gross income (MAGI).

The credit amount includes the costs you incur for tuition, fees and course-related books, supplies and equipment necessary to attend the institution. The credit is partially refundable. If the credit amount exceeds the amount of tax owed for the year, that taxpayer can receive up to $1,000 of the credit as a refund.

## Lifetime Learning Credit

Lifetime Learning Credits are available to all taxpayers who attend at least one course during the year at an institution eligible to participate in the federal student aid program. It is not necessary that the student pursue a degree or certification to qualify. The credit is available for

any year of study. The credit covers the cost of tuition and fees plus any amount for books and supplies that the student was required to purchase **directly from the school**.

This credit is of particular value to those students attending postgraduate programs. The maximum benefit of the credit is $2,000. The amount of the credit begins to phase out for taxpayers above a certain modified adjusted gross income (MAGI).

The lifetime learning credit is nonrefundable if it exceeds your **Total Tax** for the year as shown on line 24 of **Form 1040**.

## Resources

Refer to these additional resources for information on education credits:

- the IRS Compare Education Credits chart
- Education Credit FAQ
- Form 1099-Q and Education Expenses: Scope & Preparation