



FEDERAL TAX CREDITS

Students or Parents, **YOU** may be eligible to claim a federal income tax credit for certain educational expenses.

In 1997, the federal government created two tax credit programs for eligible higher education expenses—the **Hope Scholarship** and **Lifetime Learning** credits.

In 2009, the American Recovery and Reinvestment Act (stimulus plan), expanded the credits available for students pursuing higher education.

This new education credit called the **American Opportunity Tax Credit** is available through the 2012 tax year. This is a modification of the Hope Credit.

AMERICAN OPPORTUNITY TAX CREDIT (AOC)



Expansion of the Hope Credit through the 2012 tax year:

- **MAXIMUM CREDIT INCREASED:** The maximum amount of the AOC is \$2,500 per student. This is up from previous years.
- **FOUR YEARS COVERED:** The credit can be claimed for the first four years of post-secondary education, doubling the previous duration of the Hope credit.
- **REFUNDABLE:** Generally, 40% of the AOC is now a refundable credit for most taxpayers, which means that you may receive up to \$1,000 even if you owe no taxes.
- **FAMILIES WITH HIGHER INCOMES ARE ELIGIBLE:** Families with incomes up to \$180,000 may qualify for the AOC.

The credit is phased out (gradually reduced) for modified adjusted gross incomes (AGI) between \$80,000 and \$90,000 (\$160,000 and \$180,000 if filing a joint return).

- **MORE EXPENSES QUALIFY:** The term "qualified tuition and related expenses" has been expanded to include books, supplies, and equipment needed for a course of study.

* Source: IRS.gov

Notice:

Information on this page is not tax advice. This is to inform students and families of higher education tax credits.

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