

Back-to-School Education Tax Credits

If you, your spouse or a dependent are heading off to college in the fall, some of your education costs may save you money at tax time. You may be able to claim a tax credit on your federal tax return. Here are some key tips that you should know about education tax credits:

- **American Opportunity Tax Credit.** The credit is worth up to \$2,500 per year for an eligible student. You may claim this credit only for the first four years of higher education. This is a refundable credit, THE BEST KIND! It means if you are eligible, you can get up to \$1,000 of the credit as a refund, even if you do not owe any taxes.
- **Lifetime Learning Credit.** This credit is worth up to \$2,000 on your tax return. There is no limit on the number of years that you can claim the LLC for an eligible student. This is a non refundable credit, it only reduces tax down to zero.
- **One credit per student.** There are some limitations. You cannot claim both credits on the same student in the same year.
- **Qualified expenses.** You may use qualified expenses to figure your credit. These include the costs you pay for tuition, fees and other related expenses for an eligible student.
- **Eligible educational institutions.** Eligible schools are those that offer education beyond high school. This includes most colleges and universities. Vocational schools or other postsecondary schools may also qualify. If you aren't sure if your school is eligible:
 - o Ask your school if it is an eligible educational institution, or
 - o See if your school is on the U.S. Department of Education's Accreditation database.
- **Form 1098-T.** In most cases, you should receive Form 1098-T, Tuition Statement, from your school by Feb. 1, 2016. This form reports your qualified expenses to the IRS and to you. The amounts shown on the form may be different than the amounts you actually paid. That might happen because some of your related costs may not appear on the form. For instance, the cost of your textbooks may not appear on the form. However, you still may be able to include those costs when you figure your credit. Don't forget that you can only claim an education credit for the qualified expenses that you paid in that same tax year.
- **Income limits.** These credits are subject to income limitations and may be reduced or eliminated, based on your income.
- **Questions?** Email us at accounting@stoddard.cc