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## Education Benefits

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Unlike tax deductions, tax credits reduce one's tax liability dollar for dollar. Under the U.S. tax code, the American Opportunity and Lifetime Learning tax credits allow Individuals pursuing higher education, come tax time, to see extra money in one's pocket or significantly reduce one's tax burden.

### *American Opportunity Tax Credit (AOTC)*

Available to students enrolled at least half-time in their first 4 years of study in a degreed program, the maximum AOTC is \$2,500 per *eligible student*, of which up to \$1,000 can be refunded. With the exception of Married Filing Separately, individuals may utilize any filing status to utilize this credit, although income limits do apply, (\$90K for single and \$ 180K for Married Filing Jointly). This may affect whether the credit will be phased out. The student must also be studying at an eligible educational institution listed by the Department of Education available for FASFA funding [https://fafsa.ed.gov/FAFSA/app/schoolSearch?locale=en\\_EN](https://fafsa.ed.gov/FAFSA/app/schoolSearch?locale=en_EN). The student must have not have been convicted of felony by the close of the calendar year claiming the credit. The qualified expenses to be claimed for the credit are: tuition, enrollment fees, and course materials required for the course. The academic period the student, or person claiming the student as a dependent, may claim the expenses paid during the calendar year with a roll-over period allowing for the first 3 months following the close of the calendar year. Additional requirements are mandated for students claiming their own AOTC between the ages of 19-23.

### *Lifetime Learning Tax Credit (LLTC)*

The maximum LLTC is \$2,000 of which \$0 can be refunded. As under the AOTC, with the exception of Married Filing Separately, individuals may utilize any filing status to utilize this credit. Income limits do apply (63K for single and 127K for Married Filing Jointly). This may affect whether the credit will be phased out. There is no duration as to the time of studies and whether the student is pursuing a degree. The student must also be studying at an eligible educational institution listed by the Department of Education available for FASFA funding [https://fafsa.ed.gov/FAFSA/app/schoolSearch?locale=en\\_EN](https://fafsa.ed.gov/FAFSA/app/schoolSearch?locale=en_EN). Unlike the AOTC, the student could have been convicted of felony and still claim the credit. The qualified expenses to be claimed for the credit are: tuition, enrollment fees, and course materials required for the course. The academic period the student, or person claiming the student as a dependent, may claim the expenses paid during the calendar year with a roll-over period allowing for the first 3 months following the close of the calendar year.

If you would like to discuss this or any other U.S. tax or accounting matter, please feel free to call Gabriel at 773.269.6513 or email [Gabriel.wise@wisecpagroup.com](mailto:Gabriel.wise@wisecpagroup.com).

We look forward to hearing from you.

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