

Sy Accountancy Corporation

Member, American Institute of CPAs

704 Mira Monte Place, Pasadena, California 91101

Tel (626) 744-0200 • Fax (626) 744-0300 • vsy@victorsycpa.com • www.victorsycpa.com

HOPE & LIFETIME EDUCATION TAX CREDITS

By Victor Sy, CPA

The Hope Credit and Lifetime Learning Credit can help you pay for college costs. These are education goodies from the government in the form of credits (savings is 100%, dollar for dollar) as opposed to deductions (savings can be 5% to 35% depending on your tax bracket).

The Hope Credit was enhanced and renamed American Opportunity Credit for 2009 through 2012:

- The credit applies for the first two years of post-secondary education - college or vocational school.
- It does not apply to the third, fourth, or higher years of undergraduate programs, to graduate programs, or to professional-level programs.
- You are allowed a credit of 100% of the first \$1,200 of qualified tuition and related fees paid during the tax year, plus 50% of the next \$1,200.
- Maximum amount is \$1,800 per eligible student, per year.
- Student must be enrolled at least half-time for at least one academic period which began during the year.

The Lifetime Learning Credit:

- The credit applies to undergraduate, graduate and professional degree courses, including instruction to acquire or improve job skills, regardless of the number of years in the program.
- Credit equals 20% of the first \$10,000 of post-secondary tuition and fees paid during the year.
- Maximum credit is \$2,000 per tax return.

Other Rules Common to Both Hope and Lifetime Credits:

- Credit applies only to tuition and fees only.
- Credit does not apply to room and board, transportation costs, health fees, or insurance expenses.
- Books, supplies, and equipment used in the course of study as well as non-academic fees qualify only if paid to the eligible educational institution (the bookstore does not count).
- You cannot claim both the Hope and Lifetime Learning Credits for the same student in the same year. You cannot claim either credit if you claim a tuition and fees deduction for the same student in the same year.
- To qualify for either credit, you must pay post-secondary tuition and certain related expenses for yourself, your spouse or your dependent.
- The credit may be claimed by the parent or the student, but not by both.
- Students who are claimed as a dependent cannot claim the credit.
- If you are married, the credit may be claimed only on a joint return.
- These credits are phased out if your Modified Adjusted Gross Income exceeds threshold amounts.

Recent Development: This credit was extended for 2 years through 2012 by the new Tax Relief Act (Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010).