

TWO EDUCATION CREDITS HELP TAXPAYERS WITH COLLEGE COSTS

Parents and students should look into tax credits that can help with the cost of higher education. They do this by reducing the amount of tax someone owes on their tax return. If the credit reduces tax to less than zero, the taxpayer may get a refund.

Taxpayers who pay for higher education in 2020 can see these tax savings when they file their tax returns next year. If taxpayers, their spouses or their dependents take post-high school coursework, they may be eligible for a tax benefit.

There are two credits available to help taxpayers offset the costs of higher education. The American opportunity tax credit and the lifetime learning credit may reduce the amount of income tax owed. Taxpayers use Form 8863, Education Credits, to claim the credits.

To be eligible to claim the American opportunity tax credit, or the lifetime learning credit, a taxpayer or a dependent must have received a Form 1098-T from an eligible educational institution.

The **American opportunity tax credit** is:

- Worth a maximum benefit up to \$2,500 per eligible student.
- Only for the first four years at an eligible college or vocational school.
- For students pursuing a degree or other recognized education credential.
- Partially refundable. This means if the credit brings the amount of tax owed to zero, 40% of any remaining amount of the credit, up to \$1,000, is refundable.

See <https://www.irs.gov/credits-deductions/individuals/aotc>

The **lifetime learning credit** is:

- Worth a maximum benefit up to \$2,000 per tax return, per year, no matter how many students qualify.
- Available for all years of postsecondary education and for courses to acquire or improve job skills.
- Available for an unlimited number of tax years.

See www.irs.gov/credits-deductions/individuals/lc