

# Understanding Tax Benefits for Education

## WHO QUALIFIES?

An eligible taxpayer must file a federal tax return and owe taxes to claim the **Tuition and Fees Deduction** or the **American Opportunity Credit** or the **Lifetime Learning Credit**. In addition, the taxpayer must claim an eligible student as a dependent on the tax return, unless the credit is for the taxpayer or the taxpayer's spouse. You may NOT claim these credits yourself if you are claimed as a dependent on someone else's tax return, or if your filing status is married filing separately.

You may NOT claim the **Tuition and Fees Deduction** and the **American Opportunity Credit** and the **Lifetime Learning Credit** for the same student in the same tax year. Also, none of these credits may be claimed in the same year that the student receives a tax-free withdrawal from an Educational IRA. The exact amount of the deduction or tax credit depends on your family's income, the amount of qualified tuition and fees paid, and the amount of certain scholarships and allowances subtracted from the tuition.

## WHAT EXPENSES QUALIFY?

Generally, qualified expenses are amounts paid by cash, check, credit card or loans for tuition and fees required for enrollment or attendance at an eligible educational institution for you, your spouse, or a dependent you claim on your tax return. Higher education expenses paid with tax-free scholarships, grants, or employer-provided educational assistance cannot be used when figuring your education credits. The credit is taken in the year the expenses are paid and education either begins that year or the first three months of the following year.

## WHAT TAX BENEFITS ARE AVAILABLE?

**Tuition and Fees Deduction (1040A Line 19, or 1040 Line 34, AND Form 8917):** You may be able to deduct the cost of higher education as an adjustment to income. Your family may claim a Tuition and Fees Deduction up to \$4,000 per return for eligible expenses paid 1/01/11 through 12/31/11. This deduction from income is only available to taxpayers whose income is under \$160,000 if filing a joint return, or under \$80,000 if filing a single return.

**Student Qualifications for the Tuition and Fees Deduction:** An eligible student must be enrolled in one or more courses at an eligible educational institution for at least one academic period beginning in 2011 or in the first 3 months of 2012. Qualifying expenses for this deduction include only amounts paid for tuition and fees.

**American Opportunity Credit (1040A Line 31, or 1040 Line 49, AND Form 8863):** Your family may claim an American Opportunity tax credit up to \$2,500 per return for eligible expenses paid 1/1/11 through 12/31/11. A family may claim 100% of the first \$2,000 and up to 25% of the next \$2,000 of eligible expenses for up to four tax years. This credit is only available to taxpayers whose income is under \$180,000 if filing a joint return, or under \$90,000 if filing a single return. The amount of the credit is gradually reduced for those with an income of \$160,000 to \$180,000 on a joint return, and \$80,000 to \$90,000 on a single return.

**Student Qualifications for the American Opportunity Tax Credit:** An eligible student must be enrolled in one or more courses at an eligible educational institution for at least one academic period beginning in 2011 or in the first 3 months of 2012. Qualifying expenses for this credit include amounts paid for tuition and fees, books, supplies and equipment required for the course of study.

**Lifetime Learning Credit (1040A Line 31, or 1040 Line 49, AND Form 8863):** Your family may claim a Lifetime Learning tax credit up to \$2,000 per return for eligible expenses paid 1/1/11 through 12/31/11 for an unlimited number of tax years. A family may claim up to 20% of \$10,000 of eligible expenses. This credit is only available to taxpayers whose income is under \$122,000 if filing a joint return, or under \$61,000 if filing a single return. The amount of the credit is gradually reduced for those with an income of \$102,000 to \$122,000 on a joint return, and \$51,000 to \$61,000 on a single return.

**Student Qualifications for the Lifetime Learning Tax Credit:** An eligible student must be enrolled in one or more courses at an eligible educational institution for at least one academic period beginning in 2011 or in the first 3 months of 2012. Qualifying expenses for this credit include only amounts paid for tuition and required fees.

## HOW DO YOU CLAIM YOUR TAX BENEFIT?

To claim one of the education tax benefits listed above, the taxpayer must report the amount of tuition and fees paid during 2011. This information is contained on the enclosed Student Account Summary sheet. Complete Form 8917 or Form 8863 to calculate the exact amount of your deduction or credit.

## FOR ADDITIONAL INFORMATION...

Robert Morris University Illinois cannot determine if you qualify for one of these education tax benefits or the amount of credit due you. If you believe you may qualify, review IRS Publication 970 for more information. Call **1-800-TAX-FORM** or go to <http://www.irs.gov> on the Internet to obtain free copies. Consult with the Internal Revenue Service or a tax advisor if you need additional guidance on claiming an income deduction or tax credit.