



## Education Guide #4

# Tax Credits For Education

An education tax credit helps defray the cost of higher education by reducing the amount of tax owed on a tax return. A person may be eligible to claim an education credit if they, their spouse, or dependents claimed on their tax return that they enrolled at or attended an eligible educational institution. For 2021, there are two federal tax credits available to persons who paid expenses for higher education and one New York State tax credit.

**The federal tax credits are: The American Opportunity Credit and The Lifetime Learning Credit.** For more information, see Chapter 2 of Publication 970, Tax Benefits for Education.

### American Opportunity Credit

The Protecting Americans Against Tax Hikes (PATH) Act of 2015 made the American Opportunity Credit permanent.

The **maximum** amount a person may claim for The American Opportunity Credit is **\$2,500 per eligible student**. Taxpayers may receive a tax credit based on 100% of the first \$2,000 spent for qualified education expenses, plus 25% of the next \$2,000, paid during the taxable year of 2021 for tuition, fees, and course materials.

The **income limits** on the modified adjusted gross income (MAGI) is \$160,000 if married filing jointly or \$80,000 if single, head of household, or qualifying widow(er). There is a reduced credit for those with a maximum income of \$180,000 if married filing jointly, or \$90,000 if filing as single.

The American Opportunity Tax Credit includes expenses for tuition required enrollment fees and materials needed for course of study.

### The Lifetime Learning Credit

The Lifetime Learning Credit is for qualified tuition and fees required for enrollment paid for accepted students enrolled in an eligible educational institution. This credit may help pay for undergraduate, graduate, and professional degree courses, including courses to acquire or improve job skills. An eligible educational institution is a school offering higher education beyond high school.

The **maximum** amount of the Lifetime Learning Credit is \$2,000, 20% of the first \$10,000 of qualified education expenses paid per return.

The **income limits** on the MAGI is \$160,000 if married filing jointly or \$80,000 if single, head of household, or qualifying widow(er) to claim a full credit. It is \$180,000 if married filing jointly or \$90,000 if single for a reduced credit.



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### Rules that Apply to American Opportunity and Lifetime Learning Credits

#### Eligibility

A person, their spouse, or their dependents (claimed on their income tax return form) are eligible if enrolled at an eligible educational institution for at least one academic period (semester, trimester, quarter) during the year. An eligible educational institution generally includes any accredited public, nonprofit, or proprietary post-secondary institution eligible to participate in the student aid programs sponsored by the U.S. Department of Education.

The tax credits are based on the amount of qualified education expenses paid for by the student in 2021 for academic periods beginning in 2021 and in the first three months of 2022. Simply stated, if a person pays monies in December 2021 for expenses due for the winter/spring term of 2022, that amount may be used in calculating the 2021 tax credit return form.

Married couples, filing separate returns, cannot claim these credits.

#### Federal Higher Education Tax Credits at a Glance

This chart provides some of the general differences between the two credits. Consult your tax professional or [www.irs.gov](http://www.irs.gov) for more information.

Caution: You may claim both the American Opportunity Credit and Lifetime Learning Credit on the same return but not for the same student.

	American Opportunity Credit	Lifetime Learning Credit
<b>Maximum Credit</b>	Up to \$2,500 credit per eligible student	Up to \$2,000 credit per return
<b>Limits on modified adjusted gross income (MAGI)</b>	To claim full credit: \$160,000 if married filing jointly; \$80,000 if filing single  To claim reduced credit: \$180,000 if married filing jointly; \$90,000 if filing single	To claim full credit: \$160,00 if married filing jointly; \$80,000 if filing single  To claim reduced credit: \$180,000 if married filing jointly; \$90,000 if filing single



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	American Opportunity Credit	Lifetime Learning Credit
<b>Number of years of postsecondary education</b>	Available only for the first four years of postsecondary education; undergraduate classes only.	Available for an unlimited number of years; undergraduate, graduate, vocational or extension classes.
<b>Number of courses</b>	Student must be enrolled at least half-time and pursuing a degree	Available for one or more courses to improve job skills or pursue a degree
<b>Qualified expenses</b>	Tuition, fees, and course materials	Tuition and fees

Source: U.S. Internal Revenue Service, Publication 970: Tax Benefits for Education

### How to Apply

Instructions accompanying Tax Form 8863: Education Credits (American Opportunity and Lifetime Learning Credits) will explain how to calculate the credits and how to claim credits on a tax return.

### Common Questions and Answers about the American Opportunity and Lifetime Learning Credit

**Question:** What is the difference between the American Opportunity and Lifetime Learning Credits?

**Answer:** The American Opportunity Credit can be claimed for the same student for no more than four tax years. There is no limit on the number of years a taxpayer may claim a Lifetime Learning Credit based on the same student's expenses.

**Question:** Who can claim the credit?

**Answer:** Generally, the taxpayer can claim the American Opportunity or Lifetime Learning Credit if:

- Taxpayer paid qualified education expenses of higher education.
- Taxpayer paid the education expenses for an eligible student.
- Eligible student is the taxpayer, their spouse, or a dependent for which the taxpayer claimed as an exemption on a tax return.



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**Question:** Can I claim both the American Opportunity and the Lifetime Learning Credit?

**Answer:** A taxpayer can elect to claim only one of the credits in any year. For example, if the taxpayer elects to take the American Opportunity Credit for a student on the 2021 tax return, a taxpayer cannot, for that same student, also claim the Lifetime Learning Credit for 2021.

**Question:** How do I find additional information about the American Opportunity and the Lifetime Learning Credit?

**Answer:** Call the Internal Revenue Service (IRS) at (800) 829-1040 or visit their website at [www.irs.gov](http://www.irs.gov)

### New York State Tax Credit Program

The College Tuition Credit is a tax credit allowed for qualified college tuition expenses paid for an eligible student. The credit is available to New York State residents only and is limited up to \$400 per eligible student.

To qualify for the College Tuition Credit, a taxpayer, their spouse, or dependents must be an undergraduate student enrolled at or attending an institution of higher education and have paid qualifying tuition expenses. An institution of higher education includes any institution of higher education, business, trade or occupational school located in or outside of New York State. The institution must lead to a postsecondary degree, certificate, or diploma. The individual may be a full- or part-time student and be either matriculated or non-matriculated.

For more information, visit [www.tax.ny.gov](http://www.tax.ny.gov) (form IT 272)