

# Tax Credit for College

## How to get your share

Something new for tax year 2009 is the *American Opportunity Credit*, a key tax credit in the American Recovery and Reinvestment Act. It replaces both the Hope Tax Credit and the Lifetime Learning Tax Credit for most taxpayers, including many with higher incomes and those who owe no tax.

### TIP #1 Claim your Tax Credit and Refund

You or your parents, if they claim you as a dependent on their tax return, may be able to claim up to \$2,500 in a tax credit, including a refund of up to \$1,000 for higher education expenses paid for an eligible student — whether that student is you, your spouse, or a dependent. Even if you owe no income taxes, you may be able to receive an IRS refund check!

*“... claim up to \$2,500 in a tax credit, including up to a \$1,000 refund...”*

### TIP #2 File a 1040 or 1040A Tax Form for 2009

To receive a refund, file a 1040 or 1040A tax form for the 2009 tax year, even if you aren't required to file a tax return because your gross income is below the minimum (see Charts A, B, and C in the instructions for the 1040 form). To claim an American Opportunity Credit, including the refund amount, you must complete Parts I, IV, and V of Form 8863 and submit it along with your Form 1040 or 1040A. IRS Publication 970 includes instructions. (See Tip #6 Helpful Links)

### TIP #3 General Overview of the American Opportunity Credit *(Source: IRS)*

Maximum credit	Up to \$2,500 credit per eligible student.
Limit on modified adjusted gross income (same as adjusted gross income for most filers)	\$180,000 if married filing jointly; \$90,000 if single, head of household, or qualifying widow(er)
Refundable or nonrefundable	40% (or as much as \$1,000) of credit may be refundable; the rest is nonrefundable
Number of years of postsecondary education	Available ONLY for the first 4 years of postsecondary education
Number of tax years credit available	Available ONLY for 4 tax years per eligible student (including any year(s) Hope credit was claimed)
Type of degree required	Student must be pursuing an undergraduate degree or other recognized education credential.
Number of courses	Student must be enrolled at least <b>half-time</b> for at least one academic period that begins during the tax year
Felony drug conviction	No felony drug convictions on student's records
Qualified expenses	Tuition and fees required for enrollment. Course-related books, supplies, and equipment <b>do not</b> need to be purchased from the institution in order to qualify.
Payments for academic periods	Payments made in 2009 for academic periods beginning in 2009 and in the first 3 months of 2010

## TIP #4 Qualifying & Nonqualifying Expenses

Qualifying educational expenses for the American Opportunity Credit include:

- Tuition and fees
- Books
- Supplies
- Equipment needed for a course of study, whether or not you purchased them from your school

Your school will send you a **Form 1098-T** tuition statement that will include the amount you paid to your school for tuition and fees in 2009. ***Make sure you save your receipts*** for any of these qualifying purchases!

An **eligible educational institution** is any postsecondary school participating in a student aid program administered by the U.S. Department of Education. Check with your school to find out if it is eligible for federal financial aid programs.

The following expenses do not qualify for the American Opportunity Credit:

- Insurance
- Medical expenses (including student health fees)
- Room and board
- Transportation
- Personal, living or family expenses

## TIP #5 Instructions on How to Claim Education Tax Credits

IRS Publication 970 includes instructions for how to claim the American Opportunity Credit and other tax credits for higher education costs. It provides detailed information on who is and is not eligible to claim the credit and refund, qualifying and nonqualifying expenses, and how to calculate the tax credit and refund amounts.

## TIP #6 Helpful Links

Internal Revenue Service

[www.irs.gov](http://www.irs.gov)

IRS Publication 970

[www.irs.gov/pub/irs-pdf/p970.pdf](http://www.irs.gov/pub/irs-pdf/p970.pdf)

American Opportunity Credit Q & A

[www.irs.gov/newsroom/article/0,,id=211309,00.html](http://www.irs.gov/newsroom/article/0,,id=211309,00.html)

IRS Tax Benefits for Education: Information Center

[www.irs.gov/newsroom/article/0,,id=213044,00.html](http://www.irs.gov/newsroom/article/0,,id=213044,00.html)

Higher Education Federal Tax Benefits Guide—2009 Tax Year

[www.nasfaa.org/redesign/taxbenefitsguide2009.html](http://www.nasfaa.org/redesign/taxbenefitsguide2009.html)

***Disclaimer: OSAC cannot provide tax assistance or guidance in the actual filing of your tax forms. Please consult your tax preparer or obtain Publication 970 from the Internal Revenue Service to ensure you are following federal tax guidelines for the American Opportunity Credit.***

The Oregon Student Assistance Commission (OSAC) administers a variety of state, federal, and privately funded student financial aid programs, including grants and scholarships, for the benefit of Oregonians attending institutions of postsecondary education. The agency helps over 50,000 Oregon students work toward their educational goals each year.

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