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Tips for Education Tax Credits

BACK TO SCHOOL SEASON: ARE YOU STRUGGLING WITH THE COSTS OF COLLEGE?

Good news! Education Credits may help bear the burden of some higher education costs

Are you, your spouse or a dependent going to college in the fall? If so, you may be able to claim a tax credit on your federal tax return. Both the American Opportunity Tax Credit and the Lifetime Learning Credit may reduce the amount of tax you owe. Read below for additional information about each credit.

American Opportunity Tax Credit

- You may be able to claim up to \$2,500 per eligible student.
- The credit applies to the first four years at an eligible college or vocational school.
- It reduces the amount of tax you owe. If the credit reduces your tax to less than zero, up to \$1,000 may be refunded to you.
- Costs that apply to the credit include the cost of tuition, books and required fees and supplies.

Lifetime Learning Credit

- This credit is limited to \$2,000 per tax return, per year.
- The credit applies to all years of higher education for students enrolled in one or more courses at an eligible institution, including classes for learning or improving job skills.
- The credit is limited to the amount of your taxes (meaning it is not a refundable credit).
- Costs that apply to the credit include the cost of tuition, required fees, books, supplies and equipment that you must buy from the school.

Both Credits

- The credits apply to an eligible student. Eligible students include yourself, your spouse or a dependent that you list on your tax return.
- You must file Form 1040 or 1040A and complete Form 8863, Education Credits, to claim these credits on your tax return.
- You can't claim either credit if someone else claims the student as a dependent and you

can't claim both credits for the same student or for the same expense, in the same year.

- The credits are subject to income limits that could reduce the amount you can claim on your return.

Form 1098-T

In most cases, you should receive Form 1098-T, Tuition Statement, from your school by Feb. 1 of the following year. This form reports your qualified expenses to the IRS and to you. The amounts shown on the form may be different from the amounts you actually paid. That might happen because some of your related costs may not appear on the form. For instance, the cost of your textbooks may not appear on the form. However, you still may be able to include those costs when you figure your credit. Don't forget that you can only claim an education credit for the qualified expenses that you paid in that same tax year.

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