|  |
| --- |
| **Back-to-School Tips for Students and Parents Paying College Expenses** |
|  |
| |  | | --- | | IRS Summertime Tax Tip 2011-18, August 15, 2011  Whether you’re a recent graduate going to college for the first time or a returning student, it will soon be time to get to campus – and payment deadlines for tuition and other fees are not far behind. The Internal Revenue Service reminds students or parents paying such expenses to keep receipts and to be aware of some tax benefits that can help offset college costs.  Typically, these benefits apply to you, your spouse or a dependent for whom you claim an exemption on your tax return.   1. **American Opportunity Credit** This credit, originally created under the American Recovery and Reinvestment Act, has been extended for an additional two years – 2011 and 2012. The credit can be up to $2,500 per eligible student and is available for the first four years of post secondary education. Forty percent of this credit is refundable, which means that you may be able to receive up to $1,000, even if you owe no taxes. Qualified expenses include tuition and fees, course related books, supplies and equipment. The full credit is generally available to eligible taxpayers whose modified adjusted gross income is below $80,000 ($160,000 for married couples filing a joint return). 2. **Lifetime Learning Credit** In 2011, you may be able to claim a Lifetime Learning Credit of up to $2,000 for qualified education expenses paid for a student enrolled in eligible educational institutions. There is no limit on the number of years you can claim the Lifetime Learning Credit for an eligible student, but to claim the credit, your modified adjusted gross income must be below $60,000 ($120,000 if married filing jointly). 3. **Tuition and Fees Deduction** This deduction can reduce the amount of your income subject to tax by up to $4,000 for 2011 even if you do not itemize your deductions. Generally, you can claim the tuition and fees deduction for qualified higher education expenses for an eligible student if your modified adjusted gross income is below $80,000 ($160,000 if married filing jointly). 4. **Student loan interest deduction** Generally, personal interest you pay, other than certain mortgage interest, is not deductible. However, if your modified adjusted gross income is less than $75,000 ($150,000 if filing a joint return), you may be able to deduct interest paid on a student loan used for higher education during the year. It can reduce the amount of your income subject to tax by up to $2,500, even if you don’t itemize deductions.   For each student, you can choose to claim only one of the credits in a single tax year. However, if you pay college expenses for two or more students in the same year, you can choose to take credits on a per-student, per-year basis. You can claim the American Opportunity Credit for your sophomore daughter and the Lifetime Learning Credit for your senior son.  You cannot claim the tuition and fees deduction for the same student in the same year that you claim the American Opportunity Credit or the Lifetime Learning Credit. You must choose to either take the credit or the deduction and should consider which is more beneficial for you.  For more information, visit the Tax Benefits for Education Information Center at [www.irs.gov](http://www.irs.gov/) or check out Publication 970, Tax Benefits for Education, which can be downloaded at [www.irs.gov](http://www.irs.gov/) or ordered by calling 800-TAX-FORM (800-829-3676). | |