

American Opportunity and Lifetime Learning Tax Credits

Your school has provided the enclosed IRS Form 1098-T to help you or your parents determine eligibility for the American Opportunity (formerly Hope Scholarship) or Lifetime Learning Credits. These are education tax credits that might reduce your 2016 federal income tax liability.

The education tax credits took effect in 1998 to help families reduce the amount they pay out-of-pocket for tuition and related expenses at a postsecondary institution. Today, the American Opportunity and Lifetime Learning Tax Credits continue to provide valuable tax benefits to millions of taxpayers.

The American Opportunity Credit

- The credit can be up to \$2,500 per eligible student.
- It is available for the first four years of post-secondary education.
- Forty percent of the credit is refundable, which means that you may be able to receive up to \$1,000, even if you owe no taxes.
- The student must be pursuing an undergraduate degree or other recognized educational credential.
- The student must be enrolled at least half time for at least one academic period.
- Qualified expenses include tuition and fees, course related books, supplies and equipment.
- The full credit is generally available to eligible taxpayers who make less than \$80,000 or \$160,000 for married couples filing a joint return.

The Lifetime Learning Credit

- The credit can be up to \$2,000 per eligible student.
- It is available for all years of postsecondary education and for courses to acquire or improve job skills.
- The maximum credit is limited to the amount of tax you must pay on your return.
- The student does not need to be pursuing a degree or other recognized education credential.
- Qualified expenses include tuition and fees, course related books, supplies and equipment.
- The full credit is generally available to eligible taxpayers who make less than \$55,000 or \$110,000 for married couples filing a joint return.

Who qualifies for these credits?

Only taxpayers qualify for the credits. If you are claimed as a dependent on someone else's tax return, that person may qualify for one of the credits. A taxpayer may qualify if the taxpayer (you or the person who claims you as a dependent) is paying for higher education costs for the taxpayer or their dependents, AND the taxpayer's 2016 modified adjusted gross income is within IRS defined limits.

There are certain limitations specific to each of the tax credits. The college you attend cannot determine if you qualify for one of the credits or the amount of the credit due you.

To receive either tax credit, taxpayers must account for and document the amount paid for tuition and other expenses on **IRS Form 8863** and file it with their 2016 federal income tax return. Your school provides Form 1098-T to summarize your financial information, to document your enrollment, your enrollment status and to indicate whether or not you are a graduate student. **You do not file Form 1098-T with your tax return.** Instead, you should keep it with your tax records. **Note:** An Institution may choose to report either payments received (Box 1) or amounts billed (Box 2) for qualified education expenses, not both. However, the amount in Box 1 or 2 of Form 1098-T might be different from what you actually paid. When calculating the credit, **use only the amounts you paid or were deemed to have paid in 2016 for qualified education expenses (refer to IRS Publication 970).**

Where can I get more information?

If you believe you or your parents might qualify for one of the tax credits, you should obtain **IRS Publication 970** and **IRS Form 8863** for more information. To obtain copies, call 1-800-TAX-FORM or go to <http://www.irs.gov/>. You may also want to consult a professional tax advisor.

All information on this form was accurate as of the date of its printing. Information may be subject to late changes instituted by the IRS. Check the IRS Resources listed above for the most current information.