

## Education Tax Credits (2009)

Prepared for: **Your Clients**  
Presented by: **Bill O'Quin, CLU, ChFC, RFC**  
Financial Services Online

### **HOPE Scholarship Credit (American Opportunity Tax Credit in 2009 and 2010)**

For 2009 and 2010 only, the American Recovery and Reinvestment Act of 2009 renames the HOPE Scholarship Credit and provides enhanced benefits:

- May be elected for qualified education expenses incurred during all four years of a taxpayer's, spouse's or dependent's college education.
- Provides a tax credit for up to 100% of the first \$2,000 and 25% of the second \$2,000 of qualified tuition and related expenses paid during a tax year (\$2,500 maximum tax credit in 2009 and 2010).
- Student must be enrolled on at least a half-time basis in a program at an accredited college, university or vocational school leading to a bachelor's or associate's degree or another recognized post-secondary school credential.
- Qualified education expenses eligible for the HOPE Scholarship Credit include qualified tuition and related expenses (e.g., fees), but not room and board or books.
- If the credit is more than a taxpayer's income tax liability, 40% of the credit is refundable.

In 2009 and 2010, the amount of the HOPE Scholarship/American Opportunity Tax Credit is phased out for taxpayers with 2009 and 2010 modified adjusted gross incomes:

- between \$80,000 and \$90,000 for single filers; or
- between \$160,000 and \$180,000 for joint filers.

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### **Lifetime Learning Credit**

- May be elected for qualified education expenses with respect to any course of instruction at a qualified education institution, including undergraduate and graduate course work, as well as any course of instruction to acquire or improve a taxpayer's, spouse's or dependent's job skills.
- Provides a tax credit for 20% of the first \$10,000 of qualified education expenses paid for all eligible students during the 2009 tax year (\$2,000 maximum tax credit per tax return).
- Qualified education expenses eligible for the Lifetime Learning Credit include qualified tuition and related expenses (e.g., fees), but not room and board or books.

The amount of the Lifetime Learning Credit is phased out for taxpayers with 2009 modified adjusted gross incomes:

- between \$50,000 and \$60,000 for single filers; or
- between \$100,000 and \$120,000 for joint filers.

### **Other Limits:**

- Either the HOPE Scholarship Credit or the Lifetime Learning Credit may be taken for the same student in any one tax year, but not both.
- The exclusion from taxable income for distributions from an Education Savings Account is not available in any tax year in which a HOPE Scholarship Credit or Lifetime Learning Credit is elected with respect to the same student.
- The HOPE Scholarship Credit and Lifetime Learning Credit are not available to married individuals who file separate returns.