

**From the desk of**

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## Education Tax Credits

If you have a family member or child that is enrolled in any kind of post secondary education such as college or vocational school you may have some tax benefits that may reduce your overall taxes.

The Internal Revenue Tax Code provides for both a **Hope Credit** and the **Lifetime Learning Credit** which are both education tax credits available which may benefit you. Credits reduce actual tax liabilities as opposed to deductions which reduce income which the tax is then based upon, therefore these education credits can be quite beneficial to you in reducing your tax liabilities.

### **The Hope Credit**

- The credit applies for the first two years of post-secondary education, such as college or vocational school. It does not apply to the third, fourth, or higher years of undergraduate programs, to graduate programs, or to professional-level programs.
- The credit can be as much as \$1,800 (\$3,600 if a student in a Midwestern disaster area) per eligible student, per year.
- The Hope Credit is equal to 100% of the first \$1,200 (\$2,400 if a student in a Midwestern disaster area) of qualified tuition and related fees paid during the tax year, plus 50% of the next \$1,200 (\$2,400 if a student in a Midwestern disaster area).
- To qualify a student must be enrolled at least half-time for at least one academic period which began during the year.
- The student must be free of any federal or state felony conviction for possessing or distributing a controlled substance as of the end of the tax year.

### **The Lifetime Learning Credit**

- The Lifetime Learning Credit applies to undergraduate, graduate and professional degree courses, including instruction to acquire or improve job skills, regardless of the number of years in the program.
- The credit equals 20% (40% if a student in a Midwestern disaster area) of the first \$10,000 of post-secondary tuition and fees you pay during the

year, for a maximum credit of \$2,000 (\$4,000 if a student in a Midwestern disaster area) per tax return.

The Lifetime and Hope Credits are mutually exclusive. You cannot claim both the Hope and Lifetime Learning Credits for the same student in the same year. You also cannot claim either credit if you claim a tuition and fees deduction for the same student in the same year. To qualify for either credit, you must pay post-secondary tuition and certain related expenses for yourself, your spouse or dependent. The credit may be claimed by the parent or the student, but not by both. Students who are claimed as a dependent cannot claim the credit.

What Congress gives Congress takes away – Phase Outs

These credits are phased out for Modified Adjusted Gross Income over \$48,000 (\$96,000 for married filing jointly) and eliminated completely for Modified Adjusted Gross Income of \$58,000 or more (\$116,000 for married filing jointly). If the taxpayer is married, the credit may be claimed only on a joint return, therefore it is critical that an analysis be done to determine which tax return, whether that be the parent's or the student's the credits are taken.

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