

Tax Breaks and Credits for College Costs

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My son started college last year. Can I take a tax break for paying his tuition?

You could qualify for the American Opportunity tax [credit](#), which cuts your tax bill by \$2,500 if you spend at least \$4,000 in tuition, required fees, books and course materials for the year. The credit is calculated as 100% of the first \$2,000 of tuition and eligible expenses, plus 25% of the next \$2,000. You can get a partial credit if you pay less than \$4,000 of qualified expenses. This credit first became available in 2009 and has been extended through 2012. It applies only to expenses incurred during the first four years of postsecondary education. Because it's a credit, it lowers your tax bill dollar-for-dollar.

Can anyone qualify for the American Opportunity tax credit?

Your student must be in a program that leads to a degree, certificate or other recognized credential and enrolled at least half-time for at least one academic period. You can claim the credit for each student in your family who qualifies.

To get the full credit, you must have a modified adjusted gross income of less than \$160,000 if you are married filing jointly or \$80,000 if you are single. The size of the credit goes down as income goes up, and the credit phases out completely at \$180,000 (for married couples filing jointly) or \$90,000 (for single filers). For more information, see the [IRS's American Opportunity Tax Credit Q&As](#).

Who can take the credit -- the child or the parents?

The parents can claim the credit for their dependent students. Students who file their own tax returns and who are not claimed as a dependent of any other taxpayer can claim the credit themselves.

What about divorced parents?

The parent who claims the child as a dependent for tax purposes can take the credit. See "[Divorced Parents and Education Tax Breaks](#)" for details.

Is there a tax break for graduate school tuition?

Because the American Opportunity credit applies only to the first four years of post-secondary education, most grad students won't qualify. But they may qualify for the Lifetime Learning credit, which reduces their tax bill by up to \$2,000 per return. The credit is calculated as 20% of up to \$10,000 of qualified expenses.

The Lifetime Learning credit is available for all years of postsecondary education (although you can't take both the American Opportunity credit and Lifetime Learning credit in the same year for the same student). You don't need to be pursuing a degree to qualify, and you don't have to be enrolled at least half-time during the academic period. But the classes must be taken at an educational institution, such as a college, university, vocational school or other postsecondary institution, that is

eligible to participate in the U.S. Department of Education's student-aid program. There's no limit to the number of years a Lifetime Learning credit can be claimed for each student.

The income limits for the Lifetime Learning credit are lower than they are for the American Opportunity tax credit. To qualify for the full credit, your modified adjusted gross income must be less than \$100,000 if you are married filing jointly or \$50,000 if you are single. The size of the credit gradually phases out until your income reaches \$120,000 if you are married filing jointly or \$60,000 if you are single.

For more information about tax breaks for college costs, see IRS Publication 970, *Tax Breaks for Education*, and the [IRS's Tax Benefits for Education Information Center](#).