

Monday, August 17, 2009

## **\$2,000 Free College Money**

### **Most U.S. Taxpayers Qualify**

#### **Act NOW – available for 2009 and 2010 only!**

How can you get a deal even better than the "Cash for Clunkers" program everybody is talking about? How about a 100% refund on the first \$2,000 of tuition you pay? No additional investments necessary. Receive a lifetime benefit from the additional education.

Congress is calling this the **American Opportunity Tax Credit**, and is offering you (or your dependent) 100% of the first \$2,000 of qualified tuition and related expenses as a direct credit against your federal income taxes. In addition, you may claim 25% of the next \$2,000 for a total tax savings of up to \$2,500. This is **per student** and applies to tuition paid in 2009 or 2010 for the first 4 years of undergraduate education at an eligible institution.

A separate **Lifetime Learning** credit allows you to claim 20% of the first \$10,000 of your (or your dependents) qualified higher education expenses for any post-high school educations (including graduate-level courses and courses to acquire or improve job skills) at an eligible educational institution. (This credit is limited to \$2,000 per tax return, and may not be used for the same student that the American Opportunity Tax Credit is used in the same tax year.)

To qualify for the American Opportunity Tax Credit, the student must be enrolled in a degree or certificate program at an eligible educational institution on at least a half-time basis, and never have been convicted of a felony drug offense. The Lifetime Learning credit is not subject to these restrictions, and may be available for a student taking only one course.

The amount of qualified tuition and related expenses taken into account in computing either of these credits is reduced by tax-exempt scholarships and fellowships, certain military benefits, and any other tax-exempt payments of those expenses other than gifts or bequests.

If your income is low and you pay little or no income tax, the American Opportunity Tax Credit has a feature where 40% of the credit may be refunded, even if there is no tax. (The Lifetime Learning Credit is only available to offset federal income taxes.)

Both credits are phased out if your income is too high. For 2009 and 2010, the American Opportunity tax credit begins phasing out when your income is over \$160,000 (joint filers), or over \$80,000 (single filers). For 2009, the Lifetime Learning credit phases out for couples with income over \$100,000, or singles with income over \$50,000. (The phase-out range for the Lifetime Learning credit is adjusted annually for inflation.)

Neither credit is available if you file married filing separately.

In addition, you are not allowed either credit if you are a dependent on another's return. In this situation, the credits are allowed instead to your parents, or whoever is claiming you as a dependent. (The credits are based on the total qualified tuition and related expenses paid both by the taxpayer and the student. But if no one claims the student as a dependent on a tax return for the year, the credits are allowed to the student on his or her own return.

There are more technical requirements to be eligible for these tax credits which we have not detailed here. Please call us if you would like to discuss your situation if you have specific questions.

For information on additional topics, please visit our website [www.cwccpas.com](http://www.cwccpas.com).