

## **How Can the IRS Help You Pay For Your Kid's College Tuition?**

By Roni Deutch  
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It turns out, your kid's college does not care that your portfolio is down, or that the economy is so volatile. They still want their tuition money. But, at least the IRS is trying to help.

There are three options for taxpayers looking to offset the costs of education. If you, your spouse or your dependent is attending an accredited post-secondary educational institution—like a University or Vocational school—you may qualify for credits or deductions. Keep in mind, you can only use one of these options each tax year, so do the math and find out which one is more beneficial for your particular situation.

Below is a brief description of the three options for taxpayers with tuition costs.

### **Hope Credit:**

- Worth up to \$1,800 per student, per tax year
- Credits up to 100% of the first \$1200 in qualified tuition costs, then 50% of the next \$1200.
- Only applies for the first two years of post-secondary education (undergraduate courses only)
- The student must attend at least part time for at least one academic term during the tax year
- To qualify, the student can not have a felony conviction for distributing a controlled substance
- This phases out for taxpayers with Modified Adjusted Gross Income (MAGI) over \$48,000 single, or \$96,000 for married filing jointly; and eliminated entirely for taxpayers with MAGI over \$58,000 single, or \$116,000 married filing jointly.

### **Lifetime Learning Credit:**

- Can be used for students in any stage of their post-secondary education, including postgraduate and professional programs
- The credit is for 20% of the first \$10,000 of qualified tuition and fees, for a maximum credit of \$2,000 per tax return
- This phases out for taxpayers with Modified Adjusted Gross Income (MAGI) over \$48,000 single, or \$96,000 for married filing jointly; and eliminated entirely for taxpayers with MAGI over \$58,000 single, or \$116,000 married filing jointly.

### **Tuition and Fees Deduction:**

- Reduces taxable income up to \$4,000
- The taxpayer claiming the deduction can not be married filing separately (must be single or married filing jointly)
- The deduction is applied when the tuition is paid, even if the payment originates from a loan
- This deduction can be claimed even if you do not itemize your deductions
- This deduction is eliminated for those with MAGI over \$80,000 for single, \$160,000 married filing jointly.

Remember that you can only use one of the above options per tax year. Additionally, only one person can claim any of the above. If the student in question can be claimed as a dependent, they cannot, likewise, claim the Hope or Lifetime Learning Credit on their own return.

Take the time and figure out which is the best option (meaning, which one reduces your tax bill more) each and every year. Times might be tough, but taking advantage of these credits and deductions can help you keep your kid in college and extra money in your bank account.