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## 6 Facts about the American Opportunity Tax Credit

The American Opportunity Tax Credit, which is part of the American Recovery and Reinvestment Act (ARRA) 2009, is available through to December 3. This particular tax credit is especially useful for those parents who have college-going children and need ways to reduce their burden of having to pay college fees. The tax credit can be claimed to offset college fees payable in 2009 and 2010.

Here are six facts you should know about the American Opportunity Tax Credit:

1. The tax credit can be utilized to pay for tuition and related expenses that include tuition, related fees, books and other required course materials for the academic years of 2009 and 2010.
2. The amount of credit will come up to the full initial \$2,000 spent on each student per year and 25% of the next \$2,000. This brings the total credit to \$2,500 and will be given to the taxpayer who has to pay up to \$4,000 in college fees.
3. The qualifying threshold for the American Opportunity Tax Credit in terms of income is maximum \$80,000 for individual taxpayers and \$160,000 for couples who declare their incomes jointly. The amount of credit awarded reduces as the income level of the taxpayers rises.
4. The tax credit carries a 40% rebate, which means that even those who are not eligible to pay taxes will receive up to \$1,000 for each student as a cash back payment.
5. The American Opportunity Tax Credit is available for any of the first four years of college education.
6. But, you cannot claim the tuition and fees tax deduction in the same year that you claim the American Opportunity Tax Credit or the Lifetime Learning Credit. You must choose to either take the credit or the deduction and should consider which is more beneficial for you.

For more information, visit [www.irs.gov/recovery](http://www.irs.gov/recovery).