

Back-to-School Tips for Students and Parents Paying College Expenses – September 4, 2012

Whether you're a recent high school graduate going to college for the first time or a returning student, it will soon be time to head to campus, and payment deadlines for tuition and other fees are not far behind.

The IRS offers some tips about education tax benefits that can help offset some college costs for students and parents. Typically, these benefits apply to you, your spouse or a dependent for whom you claim an exemption on your tax return.

- **American Opportunity Credit.** This credit, originally created under the American Recovery and Reinvestment Act, is still available for 2012. The credit can be up to \$2,500 per eligible student and is available for the first four years of post secondary education at an eligible institution. Forty percent of this credit is refundable, which means that you may be able to receive up to \$1,000, even if you don't owe any taxes. Qualified expenses include tuition and fees, course related books, supplies and equipment.
- **Lifetime Learning Credit.** In 2012, you may be able to claim a Lifetime Learning Credit of up to \$2,000 for qualified education expenses paid for a student enrolled in eligible educational institutions. There is no limit on the number of years you can claim the Lifetime Learning Credit for an eligible student.

You can claim only one type of education credit per student in the same tax year. However, if you pay college expenses for more than one student in the same year, you can choose to take credits on a per-student, per-year basis. For example, you can claim the American Opportunity Credit for one student and the Lifetime Learning Credit for the other student.

- **Student loan interest deduction.** Generally, personal interest you pay, other than certain mortgage interest, is not deductible. However, you may be able to deduct interest paid on a qualified student loan during the year. It can reduce the amount of your income subject to tax by up to \$2,500, even if you don't itemize deductions.

These education benefits are subject to income limitations, and may be reduced or eliminated depending on your income. For more information, visit the Tax Benefits for Education Information Center at IRS.gov or check out Publication 970, Tax Benefits for Education, which can be downloaded at IRS.gov or ordered by calling 800-TAX-FORM (800-829-3676).