



# Lifetime Learning Credit

## Lifetime Learning Tax Credit

First things first—exactly what is the lifetime learning tax credit? The concept is pretty simple, really—if you are enrolled in one or more courses at an eligible post-secondary educational institution, you can receive up to \$2,000 as a dollar-for-dollar credit on expenses paid. However, the IRS is pretty explicit on what expenses qualify for the lifetime learning credit and who is eligible.

### Lifetime learning credit requirements and eligibility

To qualify for the Lifetime Learning Credit, you must meet requirements regarding your student status, educational institution, and expenses you want to claim.

**An eligible institution** is a post-secondary educational institution (including colleges, universities, vocational schools, etc.) that is allowed to participate in the student financial aid program from the U.S. Department of Education

**Eligible expenses** include tuition and fees and required course-related equipment like books, beakers, and yes, maybe even that pottery wheel. The main thing here is that the equipment must be listed as required by the institution as part of a for-credit course. You cannot include expenses like housing, meals, medical expenses, transportation, or noncredit courses.

In addition to standard degree programs, the LLC also covers the cost of workforce development and continuing education courses. So, if you were putting off leveling up in the workplace because of the costs associated with professional learning, this may be the answer you were looking for.

## Calculating your Lifetime Learning Credit amount

Assuming you've passed all the requirements above, you may qualify for up to \$2,000—but the actual Lifetime Learning Credit amount you're allowed may not be the full two \$2,000.

**The actual breakdown is that the credit is will equal to 20% of your expenses, up to \$10,000.** There's also a phase-out according to your income, meaning the credit amount is gradually reduced if your income is between \$58,000 and \$68,000 (\$116,000 and \$136,000 if you file a joint return). Further, you can't claim the credit if your MAGI is \$68,000 or more (\$136,000 or more if you file a joint return).

Here are four examples:

1. **Student A** has no income and \$15,000 in qualified expenses. Since the maximum allowed is \$10,000, Student A would receive 20% of the allowable \$10,000, resulting in a \$2,000 credit.
2. **Student B** has \$40,000 in income and \$6,000 in qualified expenses. Student B would receive 20% of the \$6,000, resulting in a \$1,200 credit.
3. **Student C** has \$62,000 in income and \$10,000 in qualified expenses. Student B would receive a phased-out amount.

4. **Student D** is a dependent of her parents and has \$10,000 in qualified expenses. As the parents' joint income is \$150,000, Student D does not qualify for the lifetime learning credit

## Other higher education tax credits

If you don't qualify for the Lifetime Learning Credit, don't panic—you have other higher education tax credit options:

### American Opportunity Tax Credit (AOTC)

The AOTC is available for students or parents of students who are in the first four years of post-secondary education at qualified institutions. You're allowed to claim up to \$2,500, and you may not use it in tandem with the lifetime learning credit or tuition and fees deduction.

### **Tuition and Fees Deduction**

The Tuition and Fees Deduction is as it sounds—an above-the-line income exclusion of tuition and eligible fees paid, up to \$4,000. One difference between this deduction and the Lifetime Learning Credit is that the income phase-outs are higher with the tuition and fees deduction, meaning it may be available to some people whose income was too high to claim the Lifetime Learning Credit.

## How to claim the Lifetime Learning Credit

Each year, you should receive a Form 1098-T from your educational institution that reports your costs and what's eligible for credits. To claim the LLC, you'd enter the info from your Form 1098-T onto Form 8863 and submit with your tax return. Filing taxes as a student can be tough—and filing taxes for your dependent student can seem tougher.