



Tuition and Fees Deduction

Everyone knows that paying for a college education can be expensive. That's why students and families turn to tax benefits to help make higher education more affordable. For example, the Tuition and Fees Deduction can reduce your taxable income by up to \$4,000.

College tuition tax deduction essentials

The Tuition and Fees Deduction lets you take a deduction for expenses paid to an eligible education institution—up to \$4,000. We go into a couple specific dependent situations later.

Deductible expenses – As the name implies, you can deduct tuition and fees from your taxes. Specifically, you can deduct tuition and fees required for enrollment or attendance at an eligible postsecondary educational institution. However, you can't deduct personal, living, or family expenses, such as room and board.

Above the line deduction – This college tuition tax deduction is an adjustment to your income on Schedule 1 (Form 1040). That means you can take the deduction whether you decide to claim the standard deduction or itemize your deductions.

Eligibility phaseout – Not everyone will be eligible to take the Tuition and Fees Deduction. Those with higher incomes may receive only a partial tax benefit or none. It all depends on your modified adjusted gross income.

- **For those filing as single, head of household or a qualifying widower** – The deduction starts to phase out at \$65,000 and is completely phased out at \$80,000.
- **For those filing as married filing jointly** – The deduction starts to phase out at \$130,000 and is completely phased out at \$160,000.

Comparison with other educational tax benefits – You may have heard of the American Opportunity Tax Credit (AOTC) and the Lifetime Learning Credit (LLC). These education credits also can help you reduce the amount of tax you pay, but just in a different way. The difference between a credit and deduction is that a deduction reduces your income and a credit reduces the taxes you owe dollar-for-dollar.

It's important to note that the IRS doesn't let you double up on these benefits. So, which one is the most financially beneficial? That will depend on your specific tax situation. There's lots to consider there.

For example, the Tuition and Fees Deduction has a higher phaseout than the LLC, which means some taxpayers might not qualify for the lifetime learning credit but could still claim the Tuition and Fees Deduction.

Is tuition deductible in 2020 and 2021?

If you heard something about this deduction going away, you might be wondering if tuition is deductible anymore. Currently, the Tuition and Fees deduction is not a permanent part of tax code. It has been available for several years due to extensions that Congress has passed. Right now, you can take the Tuition and Fees deduction for the 2020 tax year.

It's possible this benefit could be available for future tax years as it has been extended in the past. For now, it's not available for the 2021 tax year unless Congress votes to extend it.

Note: For tax year 2018, the Tuition and Fees Deduction was made available retroactively. If you were eligible in 2018, you may be able to file an amendment with Form 1040X and claim this college tuition tax deduction. In general, you can only amend older tax returns going back three tax years.

Can parents claim the Tuition and Fees Deduction?

Let's say you have a son in college: You can only claim applicable **education credits** if you claim your son as a dependent. Your son can claim an education credit or deduct tuition for the expenses paid on his own return if he's eligible and wasn't a dependent of you or anyone else.

For you (the parent) to claim the tuition you must be eligible to claim your son as a dependent and have paid the expenses. If your son paid the expenses or you don't claim him, you can't take the tuition and fees deduction or another credit. Your son can use all eligible expenses for the Tuition and Fees Deduction or a credit if he's not an eligible dependent. This is true regardless of whether the student, the parent, or someone else paid the fees.

If you can claim your child as a dependent and he already filed his return as a non-dependent, he'll need to file an amended return to show that he's a dependent. He'll need to use Form 1040X – which he must mail to the IRS.

If you were entitled to claim your son as a dependent, but chose not to, he can claim the nonrefundable portion of the education credits. However, he can't claim the tuition and fees since you were entitled to claim it.