

Reminder for Parents, Students to Check Out College Tax Benefits

With back-to-school season in full swing, the Internal Revenue Service reminds parents and students about tax benefits that can help with the expense of higher education.

Two college tax credits apply to students enrolled in an eligible college, university or vocational school. Eligible students include the taxpayer, their spouse and dependents.

American Opportunity Tax Credit

The [American Opportunity Tax Credit](#), (AOTC) can be worth a maximum annual benefit of \$2,500 per eligible student. The credit is only available for the first four years at an eligible college or vocational school for students pursuing a degree or another recognized education credential. Taxpayers can claim the AOTC for a student enrolled in the first three months of 2018 as long as they paid qualified expenses in 2017.

Lifetime Learning Credit

[The Lifetime Learning Credit](#), (LLC) can have a maximum benefit of up to \$2,000 per tax return for both graduate and undergraduate students. Unlike the AOTC, the limit on the LLC applies to each tax return rather than to each student. The course of study must be either part of a post-secondary degree program or taken by the student to maintain or improve job skills. The credit is available for an unlimited number of tax years.

To claim the AOTC or LLC, use [Form 8863](#), Education Credits (American Opportunity and Lifetime Learning Credits). Additionally, if claiming the AOTC, the law requires taxpayers to include the school's Employer Identification Number on this form.

Form 1098-T, Tuition Statement, is required to be eligible for an education benefit. Students receive this form from the school they attended. There are exceptions for some students.

Other education benefits

Other education-related tax benefits that may help parents and students are:

- Student loan interest deduction of up to \$2,500 per year.
- Scholarship and fellowship grants. Generally, these are tax-free if used to pay for tuition, required enrollment fees, books and other course materials, but taxable if used for room, board, research, travel or other expenses.
- Savings bonds used to pay for college. Though income limits apply, interest is usually tax-free if bonds were purchased after 1989 by a taxpayer who, at time of purchase, was at least 24 years of age.
- Qualified tuition programs, also called 529 plans, are used by many families to prepay or save for a child's college education. Contributions to a 529 plan are not deductible, but earnings are not subject to federal tax when used for the qualified education expenses.