

# Teacher Lesson Plan

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## Module 10: Education Credits

### Time Frame

One to two hours

### Curriculum Area(s)

- Technology
- Civics/Government
- Family and Consumer Sciences
- History/Social Studies
- Economics

### Purpose

To help students understand Education Credits available to taxpayers.

### Objectives

Students will be able to

- Explain the American Opportunity Credit
- Explain the Lifetime Learning Credit
- Distinguish between the American Opportunity Credit and Lifetime Learning Credit
- Explain the requirements for claiming these credits
- Explain the restrictions that apply to the credits
- Determine the eligibility for education credits by using Form 8863, Education Credits, to figure the credit

### Materials

#### *Online*

[Student Lesson — Education Credits](#)

[Tax Tutorial — Education Credits](#)

[Simulation 10A — Claiming the American Opportunity Credit](#)

[Simulation 10B — Claiming the Lifetime Learning Credit](#)

[Assessment — Education Credits](#)

[Assessment Solutions — Education Credits](#)

#### *Print (PDF)*

[Fact Sheet—Education Credits](#)

[Teacher Lesson Plan— Claiming Education Credits](#)

#### *Tax Forms*

[Form 1040](#)

[Form 8863](#)

## Background

Taxpayers have two credits available to help offset the costs of higher education. This reduces their income tax. These credits are the American Opportunity Credit and Lifetime Learning Credit, also referred to as education credits.

The requirements for taking this credit depend on:

- Filing status and AGI or MAGI of the taxpayer
- Eligible Education institution
- Qualified tuition and related expenses

The American Opportunity Credit allows taxpayers to claim a credit of up to \$2,500, part of which may be refundable.

Taxpayers may claim a Lifetime Learning Credit of up to \$2,000.

## Key Terms

**AGI**—adjusted gross income is total income reduced by certain amounts, such as student loan interest.

**American Opportunity Credit**—the American Opportunity Credit allows taxpayers to claim a credit of up to \$2,500 based on qualified tuition and related expenses paid for each eligible student. Forty percent of the credit is now refundable.

**Lifetime Learning Credit**—taxpayers may claim a Lifetime Learning Credit of up to \$2,000 based on qualified tuition and related expenses paid for *each* eligible student enrolled in eligible educational institutions.

**MAGI**—modified adjusted gross income.

## Opening the Lesson

Distribute Fact Sheet-Claiming Education Credits. Use the following questions to prompt students to share what they know about the credits:

- Name two education credits (*American Opportunity Credit and Lifetime Learning Credit*)
- What is the difference between the American Opportunity Credit and the Lifetime Learning Credit? (*American Opportunity Credit is up to \$2,500 based on qualified educational institution for students who have not completed the first four years of postsecondary education and are enrolled in a program which leads to a degree. A Lifetime Learning Credit is up to \$2,000 for students enrolled in a postsecondary degree program or to improve or acquire job skills.*)

Note: For students who may want to work independently on this module, refer them to Student Lesson – Education Credits

## Developing the Lesson

Direct students to Tax Tutorial-Education Credits, and explain that this tax tutorial focuses on the two Education Credits available to taxpayers to help offset the costs of higher education by reducing their income tax. These credits are the American Opportunity Credit and Lifetime Learning Credit.

### ***Online Activities***

Direct students to Simulation 10A-Claiming The American Opportunity Credit and Simulation 10B-Claiming The Lifetime Learning Credit. Explain to students that they will use the information provided to compute the American Opportunity Credit for Jon Stillman and the Lifetime Learning Credit for Judy Hood.

### **Concluding the Lesson**

After students have completed Tax Tutorial-Education Credits, Simulation 10A-Claiming the American Opportunity Credit, and Simulation 10B-Claiming the Lifetime Learning Credit, ask them whether they have any questions about the education credits. To ensure that they understand the material, ask the following questions:

- What tax credit is used for postsecondary education qualified tuition and expenses? (*American Opportunity Credit or Lifetime Learning Credit*)
- What tax form is used to claim education credits? (*Form 8863, Education Credits*)
- What is the maximum credit a taxpayer can claim for the American Opportunity Credit? (*Up to \$2,500 per student*)

### ***Assessment***

As a final review, summarize the major lesson points. Remind students that there are two education credits which allow qualifying taxpayers to reduce their tax liability: American Opportunity Credit and Lifetime Learning Credit.

When students are comfortable with the material, have them complete Assessment for Education Credits.