

Fact Sheet

Module 10: Education Credits

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

The requirements for taking these credits depend on:

- the taxpayer's filing status and adjusted gross income (AGI) or modified adjusted gross income (MAGI)
- eligible education institution
- qualified tuition and related expenses

The American Opportunity and Lifetime Learning Credits are claimed on Form 8863, which can be filed with form 1040.

Form 8863	Education Credits (American Opportunity and Lifetime Learning Credits)	OMB No. 1545-0074 20XX Attachment Sequence No. 50
Department of the Treasury Internal Revenue Service (99)	▶ Attach to Form 1040 or 1040-SR. ▶ Go to www.irs.gov/Form8863 for instructions and the latest information.	Your social security number
Name(s) shown on return		

CAUTION Complete a separate Part III on page 2 for each student for whom you're claiming either credit before you complete Parts I and II.

Part I Refundable American Opportunity Credit		
1	After completing Part III for each student, enter the total of all amounts from all Parts III, line 30	1
2	Enter: \$180,000 if married filing jointly; \$90,000 if single, head of household, or qualifying widow(er)	2
3	Enter the amount from Form 1040 or 1040-SR, line 11. If you're filing Form 2555 or 4563, or you're excluding income from Puerto Rico, see Pub. 970 for the amount to enter	3
4	Subtract line 3 from line 2. If zero or less, stop ; you can't take any education credit	4
5	Enter: \$20,000 if married filing jointly; \$10,000 if single, head of household, or qualifying widow(er)	5
6	If line 4 is: • Equal to or more than line 5, enter 1.000 on line 6 • Less than line 5, divide line 4 by line 5. Enter the result as a decimal (rounded to at least three places)	6
7	Multiply line 1 by line 6. Caution: If you were under age 24 at the end of the year and meet the conditions described in the instructions, you can't take the refundable American opportunity credit; skip line 8, enter the amount from line 7 on line 9, and check this box <input type="checkbox"/>	7
8	Refundable American opportunity credit. Multiply line 7 by 40% (0.40). Enter the amount here and on Form 1040 or 1040-SR, line 29. Then go to line 9 below.	8
Part II Nonrefundable Education Credits		
9	Subtract line 8 from line 7. Enter here and on line 2 of the Credit Limit Worksheet (see instructions)	9
10	After completing Part III for each student, enter the total of all amounts from all Parts III, line 31. If zero, skip lines 11 through 17, enter -0- on line 18, and go to line 19	10
11	Enter the smaller of line 10 or \$10,000	11
12	Multiply line 11 by 20% (0.20)	12
13	Enter: \$138,000 if married filing jointly; \$69,000 if single, head of household, or qualifying widow(er)	13
14	Enter the amount from Form 1040 or 1040-SR, line 11. If you're filing Form 2555 or 4563, or you're excluding income from Puerto Rico, see Pub. 970 for the amount to enter	14
15	Subtract line 14 from line 13. If zero or less, skip lines 16 and 17, enter -0- on line 18, and go to line 19	15
16	Enter: \$20,000 if married filing jointly; \$10,000 if single, head of household, or qualifying widow(er)	16
17	If line 15 is: • Equal to or more than line 16, enter 1.000 on line 17 and go to line 18 • Less than line 16, divide line 15 by line 16. Enter the result as a decimal (rounded to at least three places)	17
18	Multiply line 12 by line 17. Enter here and on line 1 of the Credit Limit Worksheet (see instructions) ▶	18
19	Nonrefundable education credits. Enter the amount from line 7 of the Credit Limit Worksheet (see instructions) here and on Schedule 3 (Form 1040), line 3	19

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 25379M Form 8863 (20XX)

Education Credits Requirements and Limits

The requirements for claiming these credits include:

- filing status and MAGI of the taxpayer
- whether the student and the educational institution are eligible
- what the expenses were for—only tuition and related expenses qualify
 - related expenses are course-related books and materials, supplies and equipment, and student activities

There are income limits to the American Opportunity Credit and the Lifetime Learning Credit. See the Form 8863 Instructions for income limits <https://www.irs.gov/pub/irs-pdf/i8863.pdf>

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. To be eligible for the credit, the student must be:

- Enrolled in a program that leads to a degree, certificate or other recognized educational credential
- Taking at least one-half of the required workload for the course of study for at least one academic period beginning during the calendar year
- Enrolled in the first four years of postsecondary education
- Free of any felony conviction for possessing or distributing a controlled substance

Forty percent of the credit is now refundable.

For taxpayers whose MAGI is over the threshold limits, the credit may be reduced. See the Form 8863 Instructions for income limits <https://www.irs.gov/pub/irs-pdf/i8863.pdf>

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.

The Lifetime Learning Credit is based on the total qualified education expenses paid by the taxpayer and not on the number of eligible students. Education expenses that qualify for the Lifetime Learning Credit are for courses:

- taken as part of a postsecondary degree program, or
- taken to improve or acquire job skills