

## **American Opportunity Tax Credit (AOTC)**

*(This Information is from the IRS Website)*

### ✓ *What is the American Opportunity Tax Credit (AOTC)*

American Opportunity Tax Credit is a credit for qualified education expenses paid for an eligible student for the first four years of higher education. You can get a maximum annual credit of \$2,500 per eligible student. If the credit brings the amount of tax you owe to zero, you can have 40 percent of any remaining amount of the credit (up to \$1,000) refunded to you.

### ✓ *Who is eligible?*

To be eligible for AOTC, the student must:

- Be pursuing a degree or other recognized education credential
- Be enrolled at least half time for at least one academic period beginning in the tax year
- Not have finished the first four years of higher education at the beginning of the tax year
- Not have claimed the AOTC or the former Hope credit for more than four tax years
- Not have a felony drug conviction at the end of the tax year

### ✓ *Use the IRS Interactive App*

IRS interactive app, "[Am I Eligible to Claim and Education Credit?](#)" helps you determine if you are eligible for education credits and deductions.

### ✓ *What are the income limits for AOTC?*

- To claim the full credit, your MAGI,<sup>♦</sup> modified adjusted gross income must be \$80,000 or less (\$160,000 or less for married filing jointly).
- You receive a reduced amount of the credit if your MAGI is over \$80,000 but less than \$90,000 (over \$160,000 but less than \$180,000 for married filing jointly).
- You cannot claim the credit if your MAGI is over \$90,000 (\$180,000 for joint filers).

<sup>♦</sup>**MAGI** for most people is the amount of AGI, adjusted gross income, shown on your tax return. On Form 1040A, AGI is on line 22 and is the same as MAGI.

If you file Form 1040, you add the following amounts to AGI (line 38):

1. Foreign earned income exclusion,
2. Foreign housing exclusion,
3. Foreign housing deduction,
4. Exclusion of income by bona fide residents of American Samoa, or of Puerto Rico.

If you need to adjust your AGI to find your MAGI, there are worksheets in the [Publication 970](#) to help you.

✓ *Claiming the credit?*

Generally, students receive a Form 1098-T Tuition Statement, from their school by January 31. This statement helps you figure your credit. The form will have an amount in either box 1 or 2 to show the amounts received or billed during the year. But, this amount may not be the amount you can claim. See qualified education expenses for more information on what amount to claim.

Check the Form 1098-T to make sure it is correct. If it isn't correct or you do not receive the form, contact your school.

To claim AOTC, you must complete the [Form 8863](#) and attach the completed form to your Form 1040 or Form 1040A.

✓ *What is the AOTC worth?*

The amount of the credit is 100 percent of the first \$2,000 of qualified education expenses you paid for each eligible student and 25 percent of the next \$2,000 of qualified education expenses you paid for that student. But, if the credit pays your tax down to zero, you can have 40 percent of the remaining amount of the credit (up to \$1,000) refunded to you.

Contact your tax advisor for specific information. You may also find additional information on the [IRS](#) website.