

# College & Taxes

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**Lefkowitz, Garfinkel, Champi & DeRienzo, PC**

- **Tax Credits**
- **Tax Deductions**
- **Tax Deferred/Exempt Investments**

# Tax Credits

- **American Opportunity Tax Credit**

First Four Years of College

100% of first \$2,000 & 25% of next \$2,000

= Maximum \$2,500 in 2009 & 2010

New 40% Refundable

Phased out at \$90,000 single/\$180,000 married

Midwestern disaster area – up to \$3,600

- **Lifetime Learning Credit**

Any year of college

20% of \$10,000 paid during the year

Phased out at \$60,000 single/\$120,000 married

## More About Credits

- Offset tax dollar for dollar
- Student must be the taxpayer or the taxpayer's dependent
- Qualified expenses:
  - Tuition & fees at an eligible institution
  - Books, supplies & equipment
- More Information:
  - Publication 970 @ [www.irs.gov](http://www.irs.gov) or (800)829-3676

## Deduction for Higher Education Expenses

- Reduces taxable income up to \$4,000 for single income up to \$65,000 or for married income up to \$130,000
- Limited to \$2,000 deduction for income of \$80,000/\$160,000
- Available in 2009 – may be extended again though
- Qualified expenses are for tuition, fees, books, supplies & equipment

# Interest Deduction

No need to itemize deductions for education loan interest

- ❑ Maximum deduction is \$2,500
- ❑ Single income limits \$60,000 to \$75,000
- ❑ Married income limits \$120,000 to \$150,000

Home equity loan interest is deductible for itemizers up to \$100,000 in borrowing

## Tax Deferred / Exempt Savings

- 529 Plans = Qualified Tuition Programs
  - ❑ No annual Contribution limit per beneficiary
  - ❑ RI allows a \$500/\$1,000 deduction for contributions
- Coverdell Education Savings Accounts
 

Contribution limit of \$2,000/year per beneficiary
- Series EE or I Bonds
  - ❑ Tricky exclusion - only allowed if purchased by the taxpayer after turning 24 years of age plus there are income phase-outs

**In general, investment grows with no current tax.**

**Withdrawals are also tax free if fully used for qualified expenses.**



## For More Information

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A large, classical stone archway stands prominently in the foreground, leading to a building entrance. The archway is constructed from light-colored stone blocks and features a prominent arch. In the background, a large, multi-story building with many windows is visible. The scene is set outdoors on a paved path leading through the archway. The text "Thank You!" is overlaid in the center of the image in a bold, black, serif font.

**Thank You!**