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Higher Education Tax Credits and Deductions

To help taxpayers offset the exorbitant costs of higher education, the federal government offers the following credits and deductions in reducing the amount of your income tax.

- **American Opportunity Credit**

Up to \$2,500 credit is available per eligible student. This credit is 100% of the first \$2,000 and 25% for the next \$2,000 paid for qualified tuition and related expenses including course materials during the first two years of higher education.

This tax credit is partially refundable for those who are eligible for more American Opportunity Credit than their tax liability.

This credit is 100% available for tax filers with modified adjusted gross income (AGI) of \$80,000 or less (\$160,000 or less for joint filers). The credit is ratably reduced if your AGI exceeds those limits, and is not available if your AGI is greater than \$90,000 (\$180,000 for joint filers).

- **Lifetime Learning Credit**

A tax savings of up to \$2,000 per return, this credit based on 20% of the first \$10,000 paid for qualified tuition and related expenses during each year of postsecondary education and for courses to acquire and improve job skills.

For 2023, this credit is 100% available for tax filers with modified adjusted gross income (AGI) of \$80,000 or less (\$160,000 or less for joint filers). The credit is ratably reduced if your AGI exceeds those limits, and is not available if your AGI is greater than \$90,000 (\$180,000 for joint filers).

- **Student Loan Interest Deduction**

If your 2023 modified adjusted gross income is less than \$90,000 (\$180,000 if filing a joint return) there is a deduction of up to \$2,500 allowed for interest paid on a student loan. Note that filing as married, filing separately will completely disallow the deduction regardless of income level.

The student loan interest deduction is taken as an adjustment to income. This means you can claim this deduction even if you do not itemize deductions.

Please feel free to call or email our office to further discuss these tax credits and deductions to see if they may be applicable to you.