

The Lifetime Learning credit for tuition and related expenses may allow you to save on your taxes for higher education expenses you incur for yourself, your spouse, or your dependents.

The maximum Lifetime Learning credit you can claim is \$2,000 per year (20% of up to \$10,000 of expenses). The \$2,000 maximum isn't adjusted annually for inflation.

The credit is available for any post-high school education (including graduate-level courses and courses to acquire or improve job skills) at an eligible school. In general, eligible schools include: (1) accredited schools offering credit towards a bachelor's or associate's degree or other recognized post-high school credential and (2) certain vocational schools.

The student need not be enrolled in a degree or certificate program. There's no course minimum. The credit may be available even if only one course is taken.

The Lifetime Learning credit isn't allowed for an education expense that is deductible (for example, as a business expense). Taxpayers can elect to claim an above-the-line deduction for qualified tuition and related expenses instead of the Lifetime Learning credit that's available through 2009 and 2010.

If a tax-exempt distribution from a Coverdell education savings account (formerly known as an education individual retirement account, or education IRA), or qualified tuition program (also known as a 529 plan) is received for the student in the same year, the Lifetime Learning credit may only be claimed for expenses not covered by the distribution.

To be eligible for the credit for a year, the qualified expenses must be paid during the year for education furnished during an academic period (e.g., semester) starting within the year or within the first three months of the following year. Accordingly, for some expenses you'll have a choice: For a semester beginning in January of Year 2, you can pay the expenses either in Year 1 or 2 and claim the credit for the year of payment.

The credit is nonrefundable, i.e., it can reduce your regular tax bill and, through 2009, your alternative minimum tax (AMT) bill, to zero but cannot result in a refund. Also, if the expenses on which the credit is based are later refunded, you may have to recapture the credit you claimed, i.e., your tax in the year of the refund may be increased due to a recomputation of the credit claimed in the earlier year.

Expenses that qualify for the credit include tuition and academic fees required for enrollment or attendance at an eligible educational institution. They don't include student activity fees, athletic fees, insurance, books, room and board, transportation costs, or other personal living expenses. The cost of a course or education involving sports, games, or hobbies doesn't qualify unless it's part of the student's degree program. Qualified expenses for purposes of the credit are reduced by tax-exempt scholarships and fellowships, certain military benefits, and any other tax-exempt payments of those expenses (other than gifts or bequests).

For 2009 and 2010, the credit is "phased out" ratably for married taxpayers filing jointly with adjusted gross income (AGI), with certain modifications, between \$100,000 and \$120,000. That is, for joint filers, the credit is reduced if modified AGI for 2009 and 2010 is between \$100,000 and \$120,000, and it is unavailable if AGI is \$120,000 or more for 2009 and 2010. For taxpayers filing as single or head of household, the phase-out range

for 2009 and 2010 is \$50,000 to \$60,000. Married taxpayers who file separate returns can't claim the credit.

The Lifetime Learning credit isn't allowed to an individual who is claimed as a dependent on another's tax return. Instead, the credit for that individual is claimed on the return claiming him or her as a dependent. In such a case, the credit is based on the qualified expenses paid by both the student and the person who claims the student as a dependent. A student who is not claimed as a dependent can claim the credit on his or her own return, based on the expenses paid by the student. In either case, amounts paid directly to the school on the student's behalf by a third party, such as a grandparent, are treated as paid by the student.

Other technical requirements may apply.