

You may be able to claim a deduction for the cost of tuition and fees to enroll or attend a college or graduate school for yourself, your spouse, or your dependents, even if the education isn't employment- or business-related.

A married couple filing jointly can deduct up to \$4,000 annually of qualifying expenses (defined below) if their adjusted gross income (AGI), with certain modifications, doesn't exceed \$130,000 for the year (\$65,000 for unmarried taxpayers). No deduction is available if modified AGI exceeds the specified amount. If modified AGI is above \$130,000 (\$65,000 for unmarrieds) but not above \$160,000 (\$80,000 for unmarrieds), up to \$2,000 of qualifying expenses will be deductible. No deduction will be allowed if modified AGI exceeds \$160,000 (\$80,000 for unmarrieds). Married taxpayers must file jointly to claim the credit; it isn't available for married taxpayers filing separately.

Qualifying expenses are essentially those for tuition and enrollment- or attendance-related fees, but not for the cost of books, room and board, student activity fees, athletic fees, insurance, transportation costs, or other personal expenses. To qualify, the expense must be in connection with enrollment during the year for which the deduction is claimed, or in connection with an academic term beginning within the first three months of the following year.

The deduction will be "above the line"—i.e., it will be taken in arriving at AGI, will therefore be available even if you don't itemize, and won't be subject to reduction the way itemized deductions are. And, it will be allowed for alternative minimum tax (AMT) purposes.

A taxpayer who can be claimed as a dependent by someone else cannot qualify to claim this deduction. Thus, for example, in the case of a dependent child attending college, the parent's expenses for the child can qualify under these rules, but not any expense the child pays for himself or herself. If you're claiming a deduction for expenses incurred on behalf of another individual, that individual's name and social security number must be included on your return.

The deduction isn't available for expenses incurred for an individual if the American Opportunity tax credit (the Hope credit, as modified for 2009 and 2010) or Lifetime Learning credit is claimed with respect to that individual for the year. Further, in determining the amount of expenses qualifying for the deduction, amounts received for certain scholarships and other tax-free educational assistance payments are subtracted. Qualifying expenses may also have to be reduced by expenses taken into account to determine amounts excludible from income on interest from U.S. savings bonds used for higher education expenses, and on distributions from qualified tuition programs (also known as 529 plans) or Coverdell education savings accounts (also known as Coverdell ESAs). Thus, in some cases, you may have to compare tax savings available to you from several different tax benefits to determine which is the best one to use.