

American Tax Credit – Podcast Transcript

Opening:

Hi, I'm Susan Degen with the Oregon Student Assistance Commission, also called OSAC for short.

Today, I am going to give you some helpful tips on a new IRS tax credit called the American Opportunity Credit. Even though you or your parents may have completed your 2009 tax forms, you need to prepare now for the 2010 tax season by saving your receipts for college expenses such as books and supplies, purchased since January through December 2010. This new credit enables you or your parents to qualify for both - a tax credit of up to \$2500, AND, up to a \$1000 refund to cover a broad range of college expenses paid during the 2010 calendar year.

The American Opportunity Credit modifies the existing Hope Tax Credit and the Lifetime Learning Credit for only tax years 2009 and 2010, making it available to more taxpayers, including many with higher incomes and those who owe no tax at all.

The American Opportunity Credit is part of the American Recovery and Reinvestment Act and expands reimbursable college expenses to include not only tuition and fees but also textbooks, supplies, and equipment. It also allows you to claim the cost for up to four college education years instead of just the first two years, as is the case for the Hope Tax Credit.

The full credit is available to individuals (that is, a single student or a parent), whose modified adjusted income is \$80,000 or less, or \$160,000 or less for married couples filing a joint tax return. These income limits are higher than those available under the existing Hope and Lifetime Learning Credits.

Additional eligibility requirements are described in the IRS publication 970 available at www.irs.gov

Here are a few tips to remember when filing your tax return for 2010.

Tip number 1: To get the tax credit and refund, you must claim it, even if you owe no taxes! The American Opportunity Credit allows YOU or your parents, if they claim you as a dependent on their tax return, to claim up to \$2,500 in a tax credit AND receive a refund of up to \$1,000 for college expenses accrued during the calendar year. For continuing students, remember to include costs for BOTH spring semester or winter and spring quarters of one academic year AND fall semester or quarter of the new academic year. So even if you owe no income taxes, you may still be able to receive an IRS refund check. The American Opportunity Credit is for college expenses paid in 2010, only. For tuition and fees paid in 2011, you may be eligible for the lifetime learning credit.

Tip number 2: File a 1040 or 1040A tax form for 2010. To receive a refund, you or your parents will need to file a 1040 or 1040A tax form for the 2010 tax year, even if you are not required to file a tax return.

To claim the American Opportunity Credit, including the refund, you will need to complete Form 8863, Parts IV, V, and I and submit it with your 1040 or 1040A tax form.

Tip number 3: Your qualifying expenses will require a receipt and Form 1098-T. Save your receipts for qualifying expenses such as books, supplies, and equipment needed for a course of study, whether or not you purchased them from your school. For tuition and fees, your college will send you Form 1098-T, which is your tuition statement indicating the amount you paid to your school for tuition and fees in 2010.

Tip number 4: If you need details about how to qualify for the tax credit and refund and how to claim it, see IRS Publication 970. A full description of the eligibility requirements and all forms and instructions are available at the IRS website at www.irs.gov. You can also consult your tax preparer or advisor for more information.

Thank you for taking the time to learn about this important topic. For more podcast topics, please visit our website at www.osac.state.or.us.

Best wishes for your education goals from all of us here at the Oregon Student Assistance Commission. This is Susan Degen and we look forward to helping you again soon.