Taxpayer Relief Act of 1997

The Taxpayer Relief Act of 1997 allows certain taxpayers who pay qualified tuition and fees to claim the Hope Scholarship Credit or the Lifetime Learning Credit against their federal income tax liability. Internal Revenue Service (IRS) regulations require UTSA to report the name, social security number, and address of the student on Form 1098-T.

The Hope Scholarship Credit is available for qualified tuition and fees paid after December 31, 1997. The Lifetime Learning Credit is available for qualified tuition and fees paid after June 30, 1998. The credits may be claimed by the taxpayer for himself or herself, his or her spouse, or any dependents. Payments by a taxpayer’s dependents must be treated as having been made by the taxpayer.

The Hope Scholarship Credit is available for qualified tuition and fees as follows:

• 100% of the first $1,200, plus 50% of the second $1,200; $1,800 maximum per student
• must be a half-time student for at least one academic period
• first two years of postsecondary education; available for two tax years.

The Lifetime Learning Credit is available for qualified tuition and fees with no restrictions regarding minimum enrollment or academic classification as follows:

• 20% of the first $10,000 per taxpayer
• not limited to first two years of education
• no minimum course load requirement
• no limit on number of years credit can be taken
• cannot combine with Hope Scholarship Credit for same student in same tax year.

For complete information regarding these credits, see IRS Publication 970: Tax Benefits for Education (http://www.irs.gov/publications/p970).

American Opportunity Tax Credit Changes

The American Opportunity Tax Credit (AOC) modified the existing Hope Credit for tax years 2013 through 2017, but was made permanent with the FY16 Omnibus Spending Bill. This is a modification of the Hope Credit.

• The maximum amount of the AOC is $2,500 per student. The credit is phased out (gradually reduced) if your modified adjusted gross income (AGI) is between $80,000 and $90,000 ($160,000 and $180,000 if you file a joint return).
• The credit can be claimed for the first four years of post-secondary education. Previously the credit could be claimed for only the first two years of post-secondary education.
• Generally, 40% of the AOC is now a refundable credit for most taxpayers, which means that you can receive up to $1,000 even if you owe no taxes.
• The term “qualified tuition and related expenses” has been expanded to include expenditures for “course materials.” For this purpose, the term “course materials” means books, supplies, and equipment needed for a course of study whether or not the materials must be purchased from the educational institution as a condition of enrollment or attendance.

For more information, see Chapter 2 of IRS Publication 970: Tax Benefits for Education (http://www.irs.gov/publications/p970/ch02.html).