



# Income Tax

2023-2024



American Opportunity Credit – Who Can Claim a Dependent's Expenses?



Business Owners Risk





Department of the Treasury  
**Internal Revenue Service**

## **Publication 970**

Cat. No. 25221V

# **Tax Benefits for Education**

For use in preparing

**2023** Returns

	<b>Income</b>
-	<b><u>Adjustments to Income</u></b>
=	<b>Adjusted Gross Income (AGI)</b>
-	<b>Greater of:</b>
	<b>Standard Deduction or</b>
	<b><u>Itemized Deduction</u></b>
=	<b>Taxable Income</b>
x	<b><u>Tax Rates (Tax Tables)</u></b>
=	<b>Tax Before Credits &amp; Other Taxes</b>
- +	<b>Tax Credits &amp; Other Taxes</b>
=	<b>Total Tax</b>
-	<b><u>Tax Payments &amp; Refundable Credits</u></b>
=	<b><u>Tax Refund or Tax Due</u></b>

8383

VOID  CORRECTED

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number

1 Payments received for qualified tuition and related expenses

OMB No. 1545-1574

\$

2

2024

Form 1098-T

Tuition Statement

FILER'S employer identification no.

STUDENT'S TIN

3

STUDENT'S name

4 Adjustments made for a prior year

\$

5 Scholarships or grants

\$

Street address (including apt. no.)

6 Adjustments to scholarships or grants for a prior year

\$

7 Checked if the amount in box 1 includes amounts for an academic period beginning January-March 2025

City or town, state or province, country, and ZIP or foreign postal code

Service Provider/Acct. No. (see instr.)

8 Checked if at least half-time student

9 Checked if a graduate student

10 Ins. contract reimb./refund \$

Copy A For Internal Revenue Service Center File with Form 1096.

For Privacy Act and Paperwork Reduction Act Notice, see the 2024 General Instructions for Certain Information Returns.

Form 1098-T

Cat. No. 25087J

www.irs.gov/Form1098T

Department of the Treasury - Internal Revenue Service

Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

Form **8863**

Department of the Treasury  
Internal Revenue Service

**Education Credits**  
**(American Opportunity and Lifetime Learning Credits)**

Attach to Form 1040 or 1040-SR.

Go to [www.irs.gov/Form8863](http://www.irs.gov/Form8863) for instructions and the latest information.

OMB No. 1545-0074

**2023**

Attachment  
Sequence No. **50**

Name(s) shown on return

Your social security number



Complete a separate Part III on page 2 for each student for whom you're claiming either credit before you complete Parts I and II.

**Part I Refundable American Opportunity Credit**

<b>1</b>	After completing Part III for each student, enter the total of all amounts from all Parts III, line 30 . . . . .	<b>1</b>	
<b>2</b>	Enter: \$180,000 if married filing jointly; \$90,000 if single, head of household, or qualifying surviving spouse . . . . .	<b>2</b>	
<b>3</b>	Enter the amount from Form 1040 or 1040-SR, line 11. But if you're filing Form 2555 or 4563, or you're excluding income from Puerto Rico, see Pub. 970 for the amount to enter instead . . . . .	<b>3</b>	
<b>4</b>	Subtract line 3 from line 2. If zero or less, <b>stop</b> ; you can't take any education credit . . . . .	<b>4</b>	
<b>5</b>	Enter: \$20,000 if married filing jointly; \$10,000 if single, head of household, or qualifying surviving spouse . . . . .	<b>5</b>	
<b>6</b>	If line 4 is: • Equal to or more than line 5, enter 1.000 on line 6 . . . . . • Less than line 5, divide line 4 by line 5. Enter the result as a decimal (rounded to at least three places) . . . . .	<b>6</b>	
<b>7</b>	Multiply line 1 by line 6. <b>Caution:</b> If you were under age 24 at the end of the year <b>and</b> meet the conditions described in the instructions, you <b>can't</b> take the refundable American opportunity credit; skip line 8, enter the amount from line 7 on line 9, and check this box . . . . . <input type="checkbox"/>	<b>7</b>	
<b>8</b>	<b>Refundable American opportunity credit.</b> Multiply line 7 by 40% (0.40). Enter the amount here and on Form 1040 or 1040-SR, line 29. Then go to line 9 below. . . . .	<b>8</b>	

**Part II Nonrefundable Education Credits**

<b>9</b>	Subtract line 8 from line 7. Enter here and on line 2 of the Credit Limit Worksheet (see instructions) . . . . .	<b>9</b>	
<b>10</b>	After completing Part III for each student, enter the total of all amounts from all Parts III, line 31. If		

**SCHEDULE 3  
(Form 1040)**

Department of the Treasury  
Internal Revenue Service

# Additional Credits and Payments

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.

OMB No. 1545-0074

**2023**

Attachment  
Sequence No. **03**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR

Your social security number

## Part I Nonrefundable Credits

<b>1</b>	Foreign tax credit. Attach Form 1116 if required . . . . .	<b>1</b>	
<b>2</b>	Credit for child and dependent care expenses from Form 2441, line 11. Attach Form 2441 . . . . .	<b>2</b>	
<b>3</b>	Education credits from Form 8863, line 19 . . . . .	<b>3</b>	
<b>4</b>	Retirement savings contributions credit. Attach Form 8880 . . . . .	<b>4</b>	
<b>5a</b>	Residential clean energy credit from Form 5695, line 15 . . . . .	<b>5a</b>	
<b>b</b>	Energy efficient home improvement credit from Form 5695, line 32 . . . . .	<b>5b</b>	
<b>6</b>	Other nonrefundable credits:		
<b>a</b>	General business credit. Attach Form 3800 . . . . .	<b>6a</b>	
<b>b</b>	Credit for prior year minimum tax. Attach Form 8801 . . . . .	<b>6b</b>	
<b>c</b>	Adoption credit. Attach Form 8839 . . . . .	<b>6c</b>	

**Tax and Credits**

<b>16</b>	<b>Tax</b> (see instructions). Check if any from Form(s): <b>1</b> <input type="checkbox"/> 8814 <b>2</b> <input type="checkbox"/> 4972 <b>3</b> <input type="checkbox"/> _____ . . . . .	<b>16</b>	
<b>17</b>	Amount from Schedule 2, line 3 . . . . .	<b>17</b>	
<b>18</b>	Add lines 16 and 17 . . . . .	<b>18</b>	
<b>19</b>	Child tax credit or credit for other dependents from Schedule 8812 . . . . .	<b>19</b>	
<b>20</b>	Amount from Schedule 3, line 8 . . . . .	<b>20</b>	
<b>21</b>	Add lines 19 and 20 . . . . .	<b>21</b>	
<b>22</b>	Subtract line 21 from line 18. If zero or less, enter -0- . . . . .	<b>22</b>	
<b>23</b>	Other taxes, including self-employment tax, from Schedule 2, line 21 . . . . .	<b>23</b>	
<b>24</b>	Add lines 22 and 23. This is your <b>total tax</b> . . . . .	<b>24</b>	

**Payments**

<b>25</b>	Federal income tax withheld from:		
<b>a</b>	Form(s) W-2 . . . . .	<b>25a</b>	
<b>b</b>	Form(s) 1099 . . . . .	<b>25b</b>	
<b>c</b>	Other forms (see instructions) . . . . .	<b>25c</b>	
<b>d</b>	Add lines 25a through 25c . . . . .	<b>25d</b>	
<b>26</b>	2023 estimated tax payments and amount applied from 2022 return . . . . .	<b>26</b>	
<b>27</b>	Earned income credit (EIC) . . . . .	<b>27</b>	
<b>28</b>	Additional child tax credit from Schedule 8812 . . . . .	<b>28</b>	
<b>29</b>	American opportunity credit from Form 8863, line 8 . . . . .	<b>29</b>	
<b>30</b>	Reserved for future use . . . . .	<b>30</b>	
<b>31</b>	Amount from Schedule 3, line 15 . . . . .	<b>31</b>	
<b>32</b>	Add lines 27, 28, 29, and 31. These are your <b>total other payments and refundable credits</b> . . . . .	<b>32</b>	
<b>33</b>	Add lines 25d, 26, and 32. These are your <b>total payments</b> . . . . .	<b>33</b>	

If you have a qualifying child, attach Sch. EIC.

# Who Can Claim a Dependent's Expenses?

If there are qualified education expenses for your dependent during a tax year, either you or your dependent, but not both of you, can claim an American opportunity credit for your dependent's expenses for that year.

For you to claim an American opportunity credit for your dependent's expenses, you must also claim your dependent on your tax return.

You do this by listing your dependent's name and other required information on Form 1040 or 1040-SR.





<b>IF you...</b>	<b>THEN only...</b>
claim on your tax return a dependent who is an eligible student	you can claim the American opportunity credit based on that dependent's expenses. The dependent can't claim the credit.
<b>don't</b> claim on your tax return a dependent who is an eligible student (even if entitled to claim the dependent)	the dependent can claim the American opportunity credit. You can't claim the credit based on this dependent's expenses.



## Expenses paid by dependent.

- If you claim on your tax return an eligible student who is your dependent, treat any expenses paid (or deemed paid) by your dependent as if you had paid them.
- Include these expenses when figuring the amount of your American opportunity credit.

# Expenses paid by you.

If you claim a dependent who is an eligible student, only you can include any expenses you paid when figuring the amount of the American opportunity credit.

If neither you nor anyone else claims the dependent, only the dependent can include any expenses you paid when figuring the American opportunity credit.





## Expenses paid by others.

Someone other than you, your spouse, or your dependent (such as a relative or former spouse) may make a payment directly to an eligible educational institution to pay for an eligible student's qualified education expenses.

In this case, the student is treated as receiving the payment from the other person and, in turn, paying the institution. If you claim the student as a dependent on your tax return, you are considered to have paid the expenses

**Example.**

In 2023, Todd's grandparent makes a payment directly to an eligible educational institution for Todd's qualified education expenses. For purposes of claiming an American opportunity credit, Todd is treated as receiving the money from the grandparent and, in turn, paying the qualified education expenses himself.

Unless Todd is claimed as a dependent on someone else's 2023 tax return, only Todd can use the payment to claim an American opportunity credit.

If anyone, such as Todd's parents, claims Todd on their 2023 tax return, whoever claims Todd may be able to use the expenses to claim an American opportunity credit. If anyone else claims Todd, Todd can't claim an American opportunity credit.





# Tuition reduction.

When an eligible educational institution provides a reduction in tuition to an employee of the institution (or spouse or dependent child of an employee), the amount of the reduction may or may not be taxable.

If it is taxable, the employee is treated as receiving a payment of that amount and, in turn, paying it to the educational institution on behalf of the student.

For more information on tuition reductions, see *Qualified Tuition Reduction* in chapter 1.



# Income Tax

2023-2024



American  
Opportunity Credit -  
Figuring the Credit





Department of the Treasury  
**Internal Revenue Service**

## **Publication 970**

Cat. No. 25221V

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**2023** Returns



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OMB No. 1545-1574

\$

2024

Tuition Statement

2

Form 1098-T

FILER'S employer identification no.

STUDENT'S TIN

3

Copy A

For

Internal Revenue Service Center

STUDENT'S name

4 Adjustments made for a prior year

5 Scholarships or grants

File with Form 1096.

\$

\$

Street address (including apt. no.)

6 Adjustments to scholarships or grants for a prior year

7 Checked if the amount in box 1 includes amounts for an academic period beginning January-March 2025

For Privacy Act and Paperwork Reduction Act Notice, see the

2024 General

Instructions for

Certain Information Returns.

\$

City or town, state or province, country, and ZIP or foreign postal code

Service Provider/Acct. No. (see instr.)

8 Checked if at least half-time student

9 Checked if a graduate student

10 Ins. contract reimb./refund

\$

Form 1098-T

Cat. No. 25087J

www.irs.gov/Form1098T

Department of the Treasury - Internal Revenue Service

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Form **8863**

Department of the Treasury  
Internal Revenue Service

**Education Credits**  
**(American Opportunity and Lifetime Learning Credits)**

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**Part I Refundable American Opportunity Credit**

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**Part II Nonrefundable Education Credits**

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**SCHEDULE 3  
(Form 1040)**

Department of the Treasury  
Internal Revenue Service

# Additional Credits and Payments

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.

OMB No. 1545-0074

**2023**

Attachment  
Sequence No. **03**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR

Your social security number

## Part I Nonrefundable Credits

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<b>5a</b>	Residential clean energy credit from Form 5695, line 15 . . . . .	<b>5a</b>	
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**Tax and Credits**

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<b>18</b>	Add lines 16 and 17 . . . . .	<b>18</b>	
<b>19</b>	Child tax credit or credit for other dependents from Schedule 8812 . . . . .	<b>19</b>	
<b>20</b>	Amount from Schedule 3, line 8 . . . . .	<b>20</b>	
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<b>23</b>	Other taxes, including self-employment tax, from Schedule 2, line 21 . . . . .	<b>23</b>	
<b>24</b>	Add lines 22 and 23. This is your <b>total tax</b> . . . . .	<b>24</b>	

**Payments**

<b>25</b>	Federal income tax withheld from:		
<b>a</b>	Form(s) W-2 . . . . .	<b>25a</b>	
<b>b</b>	Form(s) 1099 . . . . .	<b>25b</b>	
<b>c</b>	Other forms (see instructions) . . . . .	<b>25c</b>	
<b>d</b>	Add lines 25a through 25c . . . . .	<b>25d</b>	
<b>26</b>	2023 estimated tax payments and amount applied from 2022 return . . . . .	<b>26</b>	
<b>27</b>	Earned income credit (EIC) . . . . .	<b>27</b>	
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<b>32</b>	Add lines 27, 28, 29, and 31. These are your <b>total other payments and refundable credits</b> . . . . .	<b>32</b>	
<b>33</b>	Add lines 25d, 26, and 32. These are your <b>total payments</b> . . . . .	<b>33</b>	

If you have a qualifying child, attach Sch. EIC.

## Figuring the Credit

The amount of the American opportunity credit (per eligible student) is the sum of:

100% of the first \$2,000 of qualified education expenses you paid for the eligible student, and

25% of the next \$2,000 of qualified education expenses you paid for that student.





The maximum amount of American opportunity credit you can claim in 2023 is \$2,500 multiplied by the number of eligible students.

You can claim the full \$2,500 for each eligible student for whom you paid at least \$4,000 of adjusted qualified education expenses.

However, the credit may be reduced based on your MAGI. See *Effect of the Amount of Your Income on the Amount of Your Credit*, later.

# Example.

Jack and Kay are married and file a joint tax return. For 2023, they claim their dependent child on their tax return. Their MAGI is \$70,000.

Their child is in the junior (third) year of studies at the local university. Jack and Kay paid qualified education expenses of \$4,300 in 2023.

Jack and Kay, their child, and the local university meet all of the requirements for the American opportunity credit.

Jack and Kay can claim a \$2,500 American opportunity credit in 2023. This is 100% of the first \$2,000 of qualified education expenses, plus 25% of the next \$2,000.





# Form 1098-T.

To help you figure your American opportunity credit, the student may receive Form 1098-T. Generally, an eligible educational institution (such as a college or university) must send Form 1098-T (or acceptable substitute) to each enrolled student by January 31, 2024. An institution will report payments received (box 1) for qualified education expenses.

However, the amount on Form 1098-T might be different from what you paid. When figuring the credit, use only the amounts you paid or are deemed to have paid in 2023 for qualified education expenses.

In addition, Form 1098-T should give other information for that institution, such as adjustments made for prior years, the amount of scholarships or grants, reimbursements or refunds, and whether the student was enrolled at least half-time or was a graduate student.

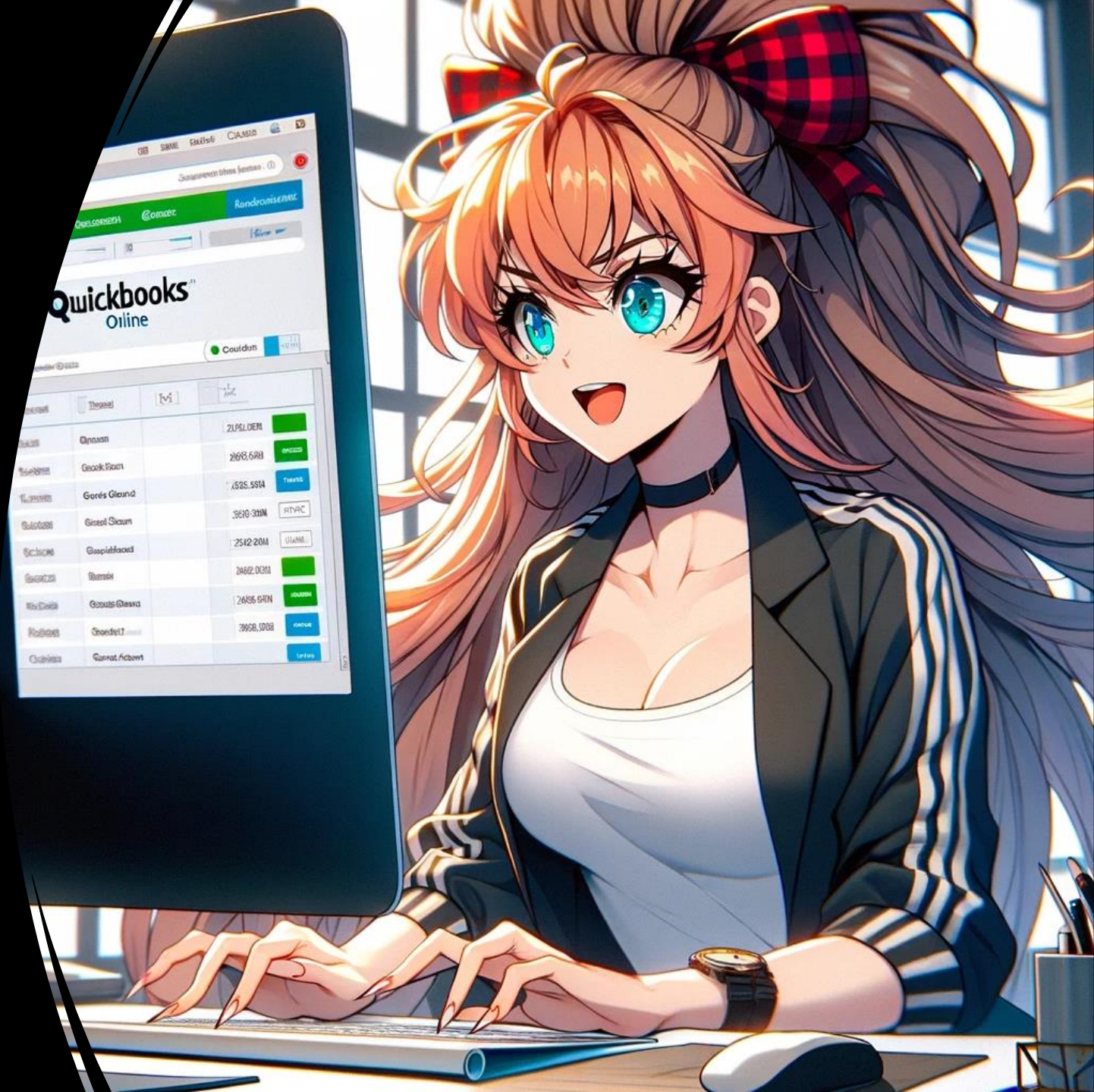
The eligible educational institution may ask for a completed Form W-9S, Request for Student's or Borrower's Taxpayer Identification Number and Certification, or similar statement to obtain the student's name, address, and TIN.



## Effect of the Amount of Your Income on the Amount of Your Credit

The amount of your American opportunity credit is phased out (gradually reduced) if your MAGI is between \$80,000 and \$90,000 (\$160,000 and \$180,000 if you file a joint return).

You can't claim an American opportunity credit if your MAGI is \$90,000 or more (\$180,000 or more if you file a joint return).





# Modified adjusted gross income (MAGI).

- For most taxpayers, MAGI is adjusted gross income (AGI) as figured on their federal income tax return.

## ***MAGI when using Form 1040 or 1040-SR.***

If you file Form 1040 or 1040-SR, your MAGI is the AGI on line 11 of that form, modified by adding back any:

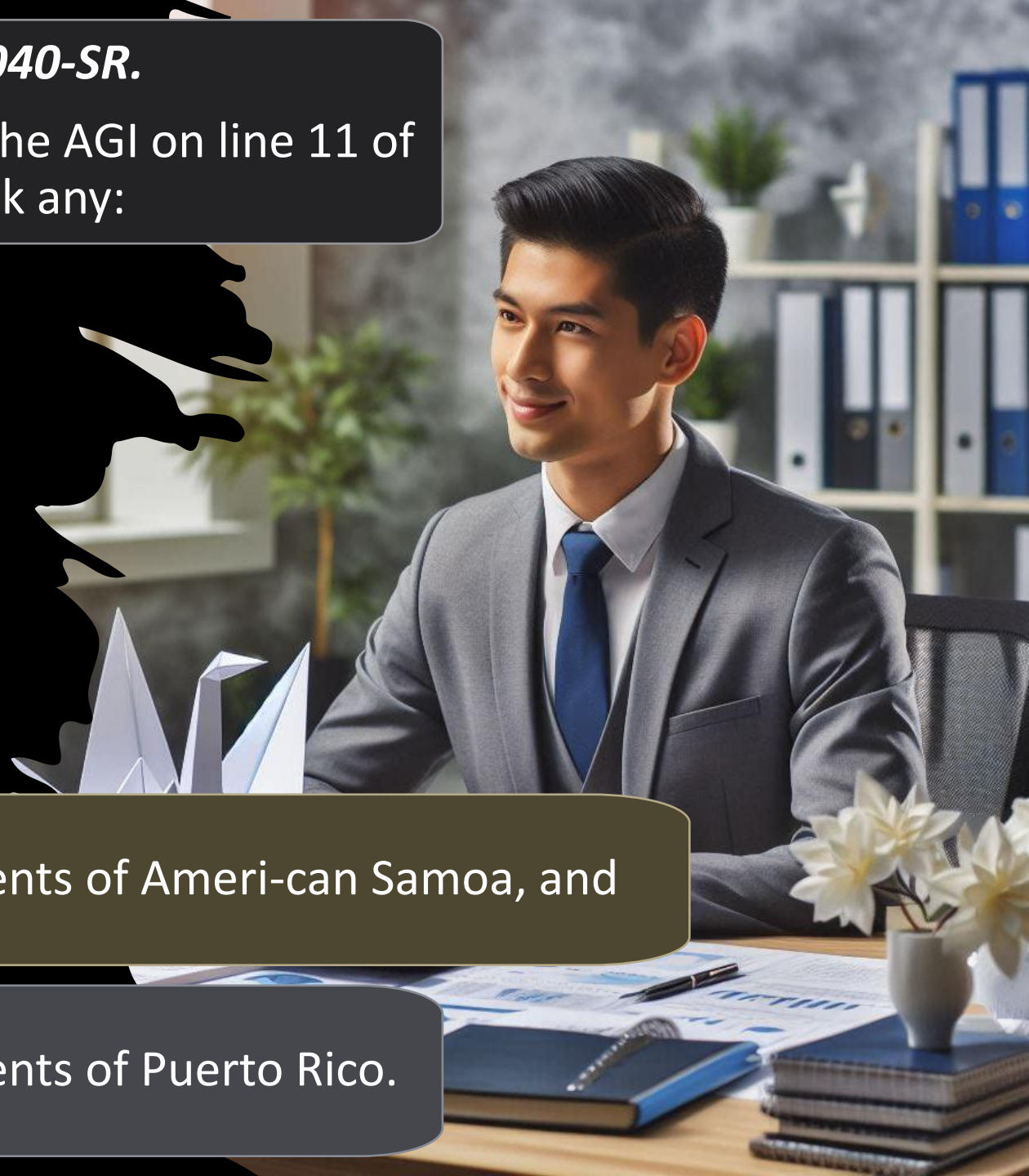
Foreign earned income exclusion,

Foreign housing exclusion,

Foreign housing deduction,

Exclusion of income by bona fide residents of American Samoa, and

Exclusion of income by bona fide residents of Puerto Rico.



## Worksheet 2-1. MAGI for the American Opportunity Credit

1. Enter your adjusted gross income  
(Form 1040 or 1040-SR, line 11) . . . . . 1. \_\_\_\_\_
2. Enter your foreign earned income  
exclusion and/or housing exclusion  
(Form 2555, line 45) . . . . . 2. \_\_\_\_\_
3. Enter your foreign housing  
deduction (Form 2555, line 50) . . . . . 3. \_\_\_\_\_
4. Enter the amount of income from  
Puerto Rico you are excluding . . . . . 4. \_\_\_\_\_
5. Enter the amount of income from  
American Samoa you are excluding  
(Form 4563, line 15) . . . . . 5. \_\_\_\_\_
6. Add the amounts on  
lines 2, 3, 4, and 5 . . . . . 6. \_\_\_\_\_
7. Add the amounts on lines 1 and 6.  
This is your **modified adjusted gross  
income**. Enter here and  
on Form 8863, line 3 . . . . . 7. \_\_\_\_\_



# Phaseout.

- If your MAGI is within the range of incomes where the credit must be reduced, you will figure your reduced credit using lines 2–7 of Form 8863, Part I.
- The same method is shown in the following example.

**Example.**

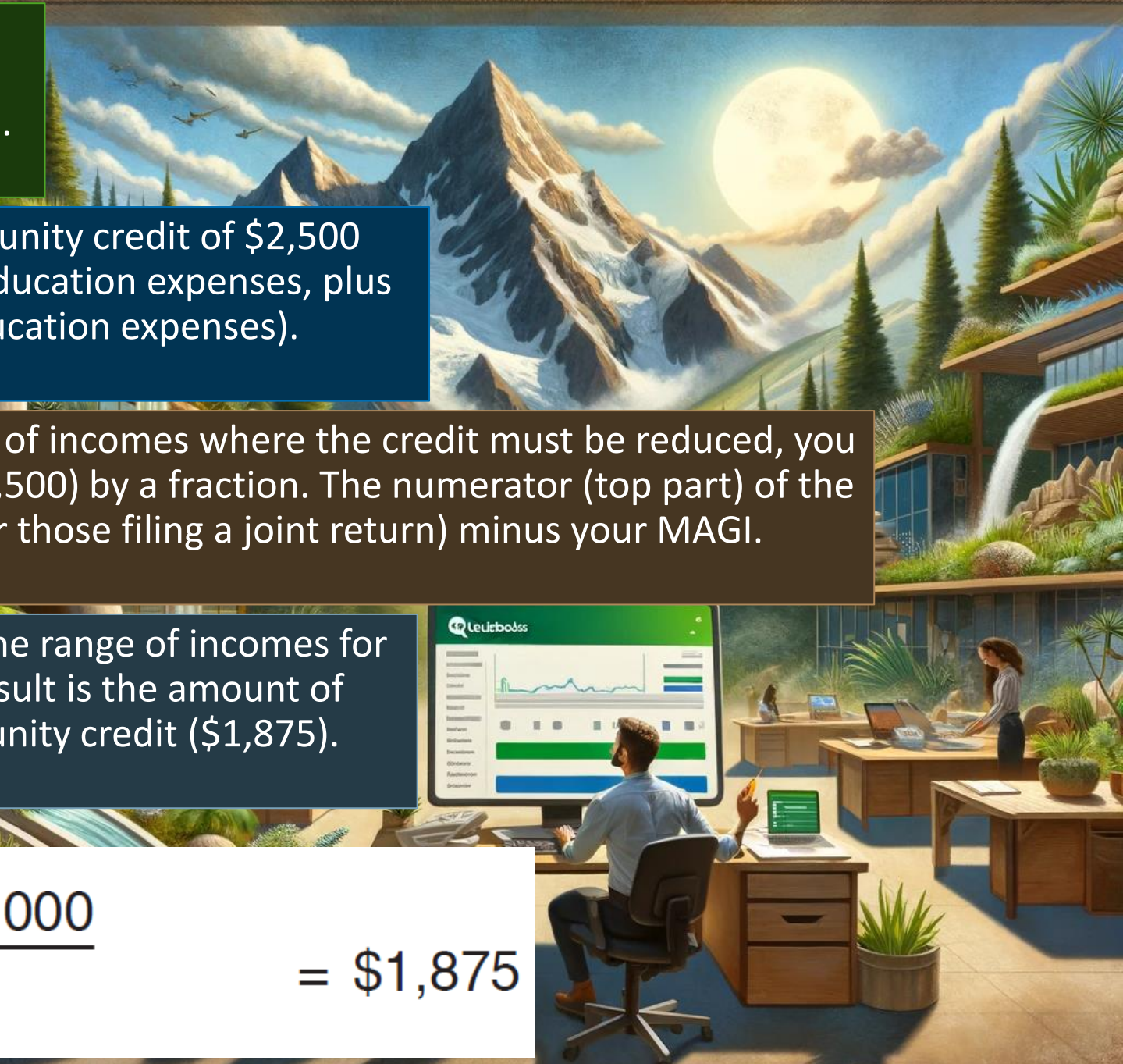
You are filing a joint return and your MAGI is \$165,000. In 2023, you paid \$5,000 of qualified education expenses.

You figure a tentative American opportunity credit of \$2,500 (100% of the first \$2,000 of qualified education expenses, plus 25% of the next \$2,000 of qualified education expenses).

Because your MAGI is within the range of incomes where the credit must be reduced, you must multiply your tentative credit (\$2,500) by a fraction. The numerator (top part) of the fraction is \$180,000 (the upper limit for those filing a joint return) minus your MAGI.

The denominator (bottom part) is \$20,000, the range of incomes for the phaseout (\$160,000 to \$180,000). The result is the amount of your phased out (reduced) American opportunity credit (\$1,875).

$$\$2,500 \times \frac{\$180,000 - \$165,000}{\$20,000} = \$1,875$$





## Refundable Part of Credit

- Forty percent of the American opportunity credit is refund-able for most taxpayers.
- However, if you were under age 24 at the end of 2023 and the conditions listed below apply to you, you **can't** claim any part of the American opportunity credit as a refundable credit on your tax return.
- Instead, your allowed credit (figured on Form 8863, Part II) will be used to reduce your tax as a nonrefundable credit only.



# You don't qualify for a refund if items 1 (a, b, or c), 2, and 3 below apply to you.

You were:

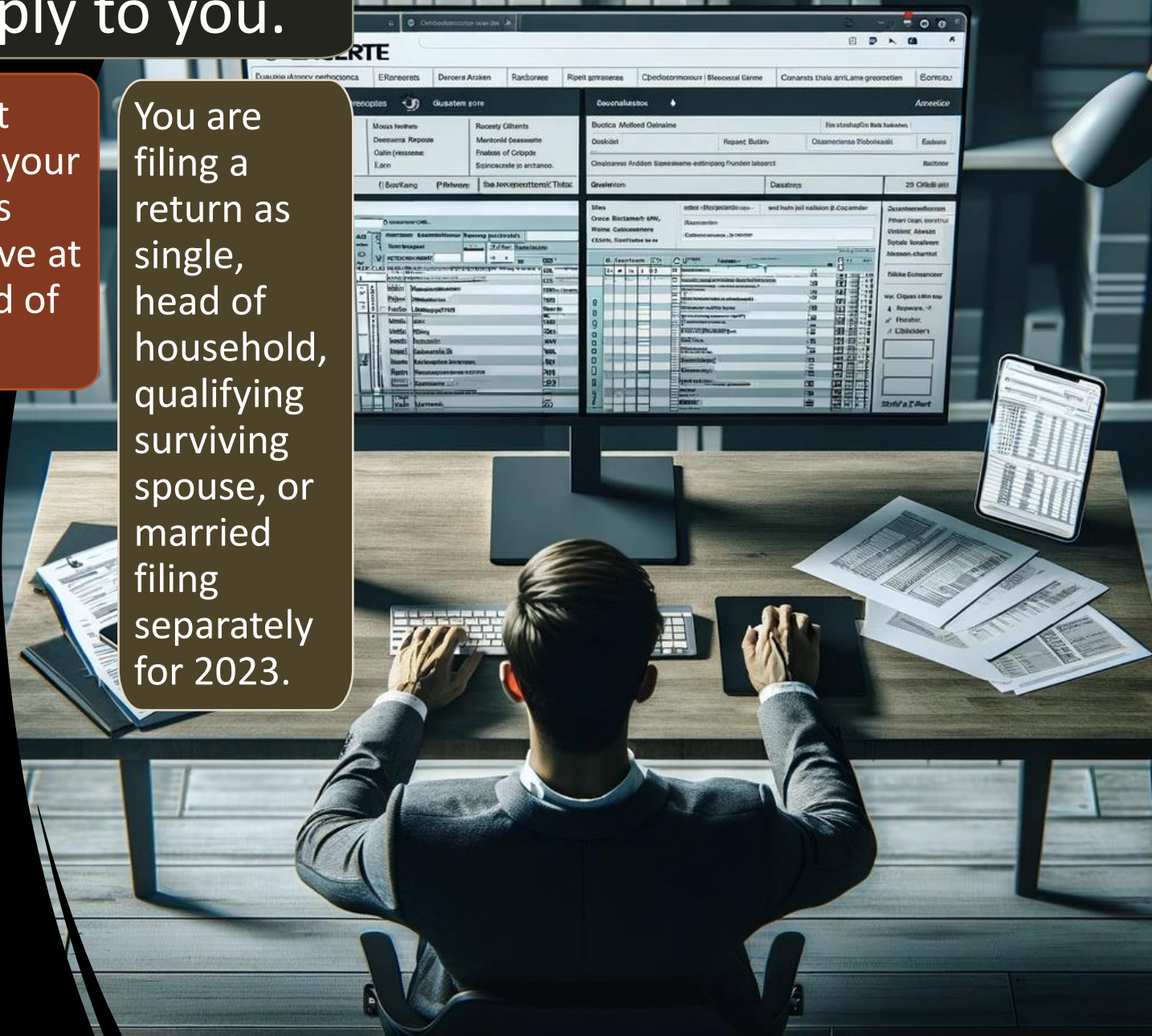
Under age 18 at the end of 2023, or

Age 18 at the end of 2023 and your earned income (defined below) was less than one-half of your support (defined below), or

Over age 18 and under age 24 at the end of 2023 and a full-time student (defined below) and your earned income (defined below) was less than one-half of your support (defined below).

At least one of your parents was alive at the end of 2023.

You are filing a return as single, head of household, qualifying surviving spouse, or married filing separately for 2023.



A person is seen from behind, sitting at a desk in a high-rise office. They are looking at a computer monitor. The office has large windows that offer a panoramic view of a city skyline at sunset. The sky is a mix of orange, yellow, and blue. The city lights are beginning to glow. The person is wearing a light-colored shirt. The desk has a laptop and some papers on it. The overall atmosphere is professional and focused.

# Earned income.

Earned income includes wages, salaries, professional fees, and other payments received for personal services actually performed. Earned income includes the part of any scholarship or fellowship grant that represents payment for teaching, research, or other services performed by the student that are required as a condition for receiving the scholarship or fellowship grant.

Earned income doesn't include that part of the compensation for personal services rendered to a corporation which represents a distribution of earnings or profits rather than a reasonable allowance as compensation for the personal services actually rendered.

If you are a sole proprietor or a partner in a trade or business in which both personal services and capital are material income-producing factors, earned income also includes a reasonable allowance for compensation for personal services, but not more than 30% of your share of the net profits from that trade or business (after subtracting the deduction for one-half of self-employment tax). However, if capital isn't an income-producing factor and your personal services produced the business income, the 30% limit doesn't apply.



# Support.

Your support includes food, shelter, clothing, medical and dental care, education, and the like. Generally, the amount of the item of support will be the amount of expenses incurred by the one furnishing such item.

If the item of support is in the form of property or lodging, measure the amount of such item of support by its fair market value.

However, a scholarship received by you isn't considered support if you are a full-time student. See Pub. 501 for details.



**Full-time student.**

- You are a full-time student for 2023 if during any part of any 5 calendar months during the year you were enrolled as a full-time student at an eligible educational institution (defined earlier), or took a full-time, on-farm training course given by such an institution or by a state, county, or local government agency.

# Claiming the Credit

You claim the American opportunity credit by completing Form 8863 and submitting it with your Form 1040 or 1040-SR.

Enter the nonrefundable part of the credit on Schedule 3 (Form 1040), line 3. Enter the refundable part of the credit on Form 1040 or 1040-SR, line 29.





# Income Tax

2023-2024



## Lifetime Learning Credit – Overview





Department of the Treasury  
**Internal Revenue Service**

## **Publication 970**

Cat. No. 25221V

# **Tax Benefits for Education**

For use in preparing

**2023** Returns

	<b>Income</b>
-	<b><u>Adjustments to Income</u></b>
=	<b>Adjusted Gross Income (AGI)</b>
-	<b>Greater of:</b>
	<b>Standard Deduction or</b>
	<b><u>Itemized Deduction</u></b>
=	<b>Taxable Income</b>
x	<b><u>Tax Rates (Tax Tables)</u></b>
=	<b>Tax Before Credits &amp; Other Taxes</b>
- +	<b>Tax Credits &amp; Other Taxes</b>
=	<b>Total Tax</b>
-	<b><u>Tax Payments &amp; Refundable Credits</u></b>
=	<b><u>Tax Refund or Tax Due</u></b>



8383

VOID  CORRECTED

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number

1 Payments received for qualified tuition and related expenses

OMB No. 1545-1574

\$

2024

Tuition Statement

2

Form 1098-T

FILER'S employer identification no.

STUDENT'S TIN

3

Copy A

For

Internal Revenue Service Center

File with Form 1096.

STUDENT'S name

4 Adjustments made for a prior year

5 Scholarships or grants

\$

\$

For Privacy Act and Paperwork Reduction Act Notice, see the

2024 General

Instructions for Certain Information Returns.

Street address (including apt. no.)

6 Adjustments to scholarships or grants for a prior year

7 Checked if the amount in box 1 includes amounts for an academic period beginning January-March 2025

\$

City or town, state or province, country, and ZIP or foreign postal code

Service Provider/Acct. No. (see instr.)

8 Checked if at least half-time student

9 Checked if a graduate student

10 Ins. contract reimb./refund

\$

Form 1098-T

Cat. No. 25087J

www.irs.gov/Form1098T

Department of the Treasury - Internal Revenue Service

Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

Form **8863**

Department of the Treasury  
Internal Revenue Service

**Education Credits**  
**(American Opportunity and Lifetime Learning Credits)**

Attach to Form 1040 or 1040-SR.

Go to [www.irs.gov/Form8863](http://www.irs.gov/Form8863) for instructions and the latest information.

OMB No. 1545-0074

**2023**

Attachment  
Sequence No. **50**

Name(s) shown on return

Your social security number



*Complete a separate Part III on page 2 for each student for whom you're claiming either credit before you complete Parts I and II.*

**Part I Refundable American Opportunity Credit**

<b>1</b>	After completing Part III for each student, enter the total of all amounts from all Parts III, line 30 . . . . .	<b>1</b>	
<b>2</b>	Enter: \$180,000 if married filing jointly; \$90,000 if single, head of household, or qualifying surviving spouse . . . . .	<b>2</b>	
<b>3</b>	Enter the amount from Form 1040 or 1040-SR, line 11. But if you're filing Form 2555 or 4563, or you're excluding income from Puerto Rico, see Pub. 970 for the amount to enter instead . . . . .	<b>3</b>	
<b>4</b>	Subtract line 3 from line 2. If zero or less, <b>stop</b> ; you can't take any education credit . . . . .	<b>4</b>	
<b>5</b>	Enter: \$20,000 if married filing jointly; \$10,000 if single, head of household, or qualifying surviving spouse . . . . .	<b>5</b>	
<b>6</b>	If line 4 is: • Equal to or more than line 5, enter 1.000 on line 6 . . . . . • Less than line 5, divide line 4 by line 5. Enter the result as a decimal (rounded to at least three places) . . . . .	<b>6</b>	
<b>7</b>	Multiply line 1 by line 6. <b>Caution:</b> If you were under age 24 at the end of the year <b>and</b> meet the conditions described in the instructions, you <b>can't</b> take the refundable American opportunity credit; skip line 8, enter the amount from line 7 on line 9, and check this box . . . . . <input type="checkbox"/>	<b>7</b>	
<b>8</b>	<b>Refundable American opportunity credit.</b> Multiply line 7 by 40% (0.40). Enter the amount here and on Form 1040 or 1040-SR, line 29. Then go to line 9 below. . . . .	<b>8</b>	

**Part II Nonrefundable Education Credits**

<b>9</b>	Subtract line 8 from line 7. Enter here and on line 2 of the Credit Limit Worksheet (see instructions) . . . . .	<b>9</b>	
<b>10</b>	After completing Part III for each student, enter the total of all amounts from all Parts III, line 31. If		

**SCHEDULE 3  
(Form 1040)**

Department of the Treasury  
Internal Revenue Service

# Additional Credits and Payments

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.

OMB No. 1545-0074

**2023**

Attachment  
Sequence No. **03**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR

Your social security number

## Part I Nonrefundable Credits

<b>1</b>	Foreign tax credit. Attach Form 1116 if required . . . . .	<b>1</b>	
<b>2</b>	Credit for child and dependent care expenses from Form 2441, line 11. Attach Form 2441 . . . . .	<b>2</b>	
<b>3</b>	Education credits from Form 8863, line 19 . . . . .	<b>3</b>	
<b>4</b>	Retirement savings contributions credit. Attach Form 8880 . . . . .	<b>4</b>	
<b>5a</b>	Residential clean energy credit from Form 5695, line 15 . . . . .	<b>5a</b>	
<b>b</b>	Energy efficient home improvement credit from Form 5695, line 32 . . . . .	<b>5b</b>	
<b>6</b>	Other nonrefundable credits:		
<b>a</b>	General business credit. Attach Form 3800 . . . . .	<b>6a</b>	
<b>b</b>	Credit for prior year minimum tax. Attach Form 8801 . . . . .	<b>6b</b>	
<b>c</b>	Adoption credit. Attach Form 8839 . . . . .	<b>6c</b>	

**Tax and Credits**

<b>16</b>	<b>Tax</b> (see instructions). Check if any from Form(s): <b>1</b> <input type="checkbox"/> 8814 <b>2</b> <input type="checkbox"/> 4972 <b>3</b> <input type="checkbox"/> _____ . . . . .	<b>16</b>	
<b>17</b>	Amount from Schedule 2, line 3 . . . . .	<b>17</b>	
<b>18</b>	Add lines 16 and 17 . . . . .	<b>18</b>	
<b>19</b>	Child tax credit or credit for other dependents from Schedule 8812 . . . . .	<b>19</b>	
<b>20</b>	Amount from Schedule 3, line 8 . . . . .	<b>20</b>	
<b>21</b>	Add lines 19 and 20 . . . . .	<b>21</b>	
<b>22</b>	Subtract line 21 from line 18. If zero or less, enter -0- . . . . .	<b>22</b>	
<b>23</b>	Other taxes, including self-employment tax, from Schedule 2, line 21 . . . . .	<b>23</b>	
<b>24</b>	Add lines 22 and 23. This is your <b>total tax</b> . . . . .	<b>24</b>	

**Payments**

<b>25</b>	Federal income tax withheld from:		
<b>a</b>	Form(s) W-2 . . . . .	<b>25a</b>	
<b>b</b>	Form(s) 1099 . . . . .	<b>25b</b>	
<b>c</b>	Other forms (see instructions) . . . . .	<b>25c</b>	
<b>d</b>	Add lines 25a through 25c . . . . .	<b>25d</b>	
<b>26</b>	2023 estimated tax payments and amount applied from 2022 return . . . . .	<b>26</b>	
<b>27</b>	Earned income credit (EIC) . . . . .	<b>27</b>	
<b>28</b>	Additional child tax credit from Schedule 8812 . . . . .	<b>28</b>	
<b>29</b>	American opportunity credit from Form 8863, line 8 . . . . .	<b>29</b>	
<b>30</b>	Reserved for future use . . . . .	<b>30</b>	
<b>31</b>	Amount from Schedule 3, line 15 . . . . .	<b>31</b>	
<b>32</b>	Add lines 27, 28, 29, and 31. These are your <b>total other payments and refundable credits</b> . . . . .	<b>32</b>	
<b>33</b>	Add lines 25d, 26, and 32. These are your <b>total payments</b> . . . . .	<b>33</b>	

If you have a qualifying child, attach Sch. EIC.



# Can You Claim the Credit?

- The following rules will help you determine if you are eligible to claim the lifetime learning credit on your tax return.

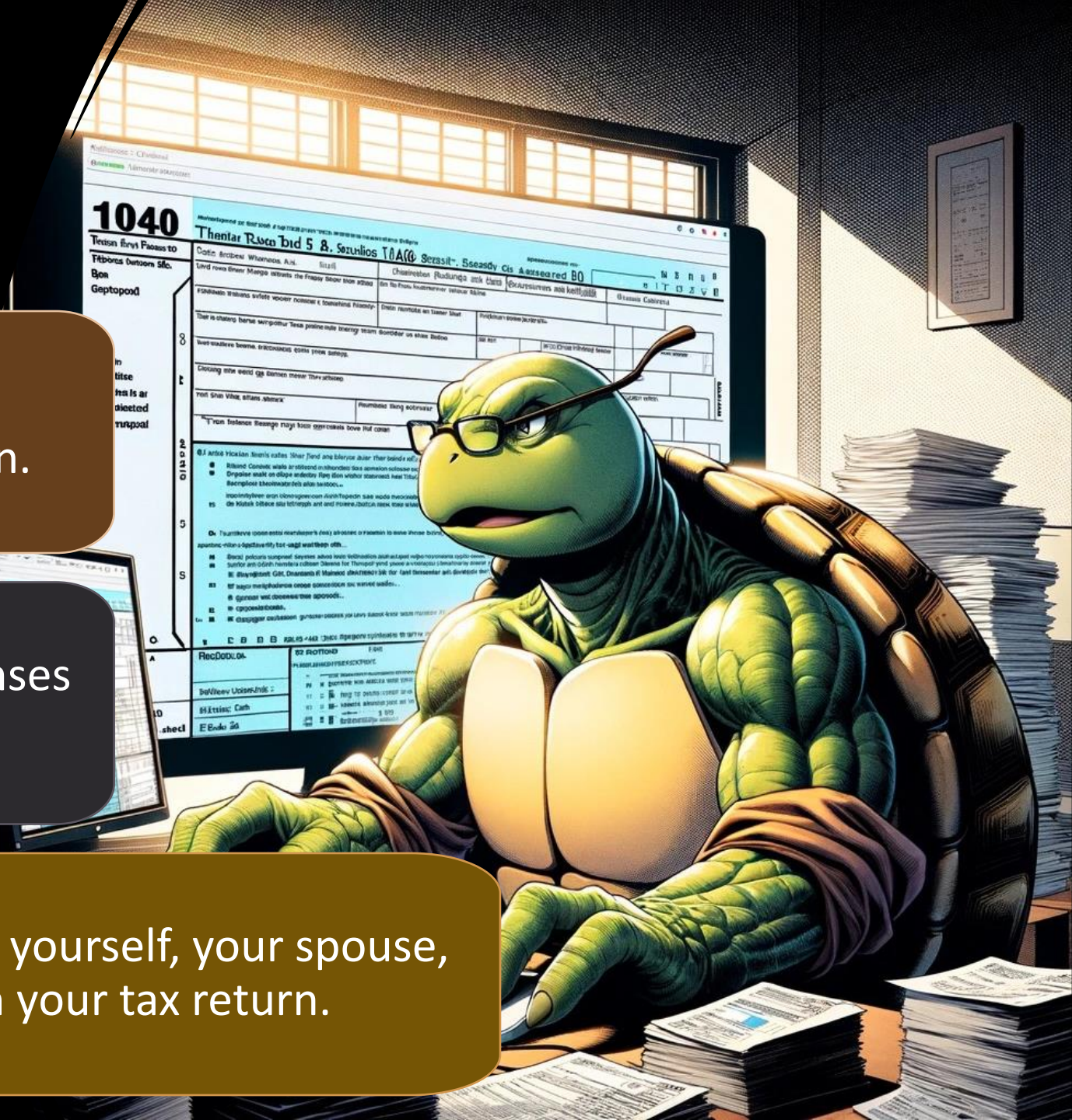
## Who Can Claim the Credit?

Generally, you can claim the lifetime learning credit if all three of the following requirements are met.

You pay qualified education expenses of higher education.

You pay the education expenses for an eligible student.

The eligible student is either yourself, your spouse, or a dependent you claim on your tax return.



**Table 3-1. Overview of the Lifetime Learning Credit for 2023**

<b>Maximum credit</b>	Up to \$2,000 credit per return
<b>Limit on modified adjusted gross income (MAGI)</b>	\$180,000 if married filing jointly; \$90,000 if single, head of household, or qualifying surviving spouse
<b>Refundable or nonrefundable</b>	Nonrefundable—credit limited to the amount of tax you must pay on your taxable income
<b>Number of years of postsecondary education</b>	Available for all years of postsecondary education and for courses to acquire or improve job skills
<b>Number of tax years credit available</b>	Available for an unlimited number of tax years
<b>Type of program required</b>	Student doesn't need to be pursuing a program leading to a degree or other recognized education credential
<b>Number of courses</b>	Available for one or more courses
<b>Felony drug conviction</b>	Felony drug convictions don't make the student ineligible
<b>Qualified expenses</b>	Tuition and fees required for enrollment or attendance (including amounts required to be paid to the institution for course-related books, supplies, and equipment)
<b>Payments for academic periods</b>	Payments made in 2023 for academic periods beginning in 2023 or beginning in the first 3 months of 2024

# Who Can't Claim the Credit?

You can't claim the lifetime learning credit for 2023 if any of the following apply.

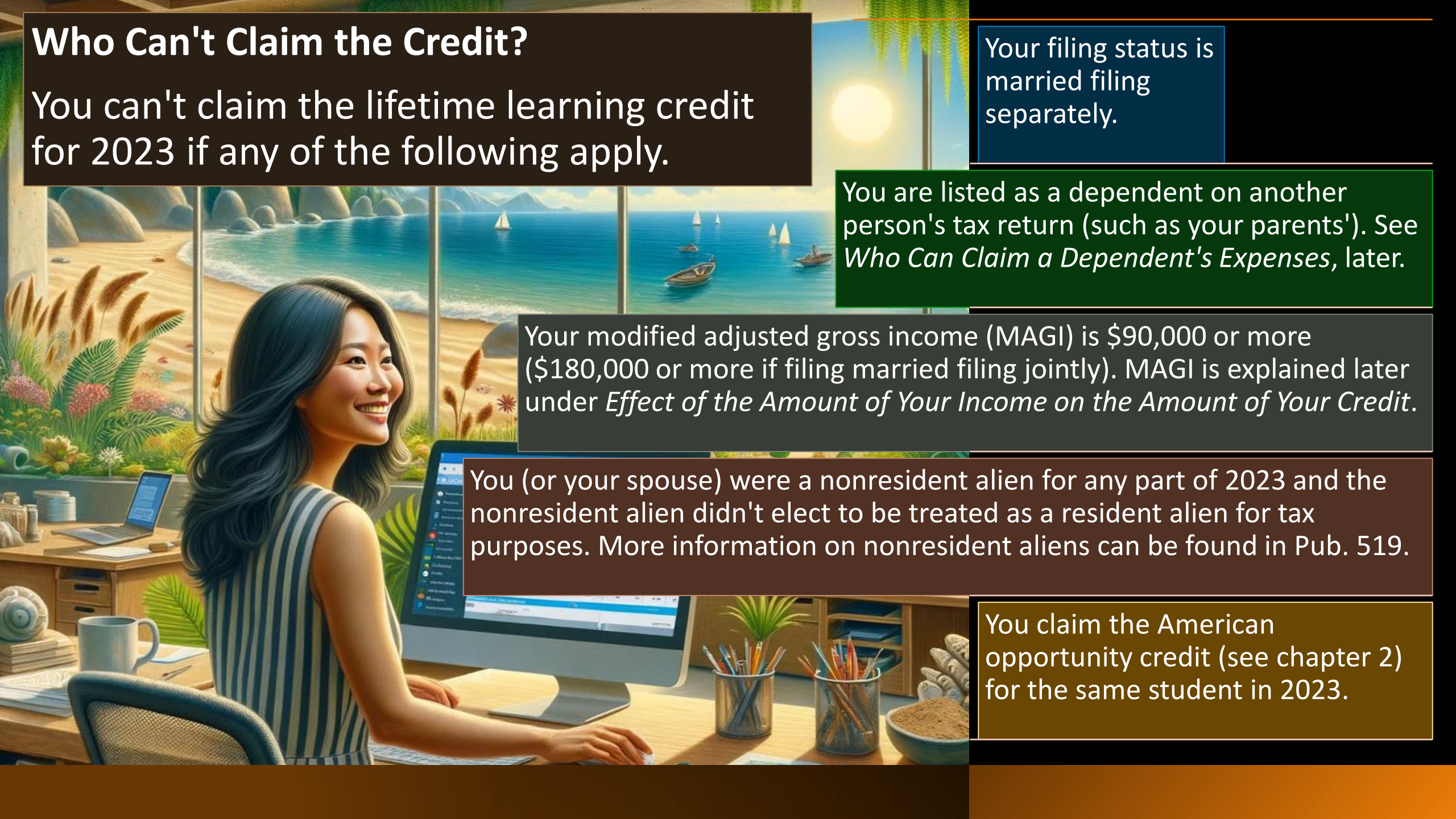
Your filing status is married filing separately.

You are listed as a dependent on another person's tax return (such as your parents'). See *Who Can Claim a Dependent's Expenses*, later.

Your modified adjusted gross income (MAGI) is \$90,000 or more (\$180,000 or more if filing married filing jointly). MAGI is explained later under *Effect of the Amount of Your Income on the Amount of Your Credit*.

You (or your spouse) were a nonresident alien for any part of 2023 and the nonresident alien didn't elect to be treated as a resident alien for tax purposes. More information on nonresident aliens can be found in Pub. 519.

You claim the American opportunity credit (see chapter 2) for the same student in 2023.







# Income Tax

2023-2024



Lifetime Learning  
Credit – What  
Expenses Qualify?





Department of the Treasury  
**Internal Revenue Service**

## **Publication 970**

Cat. No. 25221V

# **Tax Benefits for Education**

For use in preparing

**2023** Returns

	<b>Income</b>
-	<b><u>Adjustments to Income</u></b>
=	<b>Adjusted Gross Income (AGI)</b>
-	<b>Greater of:</b>
	<b>Standard Deduction or</b>
	<b><u>Itemized Deduction</u></b>
=	<b>Taxable Income</b>
x	<b><u>Tax Rates (Tax Tables)</u></b>
=	<b>Tax Before Credits &amp; Other Taxes</b>
- +	<b>Tax Credits &amp; Other Taxes</b>
=	<b>Total Tax</b>
-	<b><u>Tax Payments &amp; Refundable Credits</u></b>
=	<b><u>Tax Refund or Tax Due</u></b>

8383

VOID  CORRECTED

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number

1 Payments received for qualified tuition and related expenses

OMB No. 1545-1574

\$

2024

Tuition Statement

2

Form 1098-T

FILER'S employer identification no.

STUDENT'S TIN

3

Copy A

For

Internal Revenue Service Center

STUDENT'S name

4 Adjustments made for a prior year

5 Scholarships or grants

File with Form 1096.

\$

\$

Street address (including apt. no.)

6 Adjustments to scholarships or grants for a prior year

7 Checked if the amount in box 1 includes amounts for an academic period beginning January-March 2025

For Privacy Act and Paperwork Reduction Act Notice, see the

2024 General

Instructions for

Certain Information Returns.

\$

City or town, state or province, country, and ZIP or foreign postal code

Service Provider/Acct. No. (see instr.)

8 Checked if at least half-time student

9 Checked if a graduate student

10 Ins. contract reimb./refund

\$

Form 1098-T

Cat. No. 25087J

www.irs.gov/Form1098T

Department of the Treasury - Internal Revenue Service

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Form **8863**

**Education Credits**  
**(American Opportunity and Lifetime Learning Credits)**

OMB No. 1545-0074

Department of the Treasury  
Internal Revenue Service

Attach to Form 1040 or 1040-SR.  
Go to [www.irs.gov/Form8863](http://www.irs.gov/Form8863) for instructions and the latest information.

**2023**  
Attachment  
Sequence No. **50**

Name(s) shown on return

Your social security number



*Complete a separate Part III on page 2 for each student for whom you're claiming either credit before you complete Parts I and II.*

**Part I Refundable American Opportunity Credit**

<b>1</b>	After completing Part III for each student, enter the total of all amounts from all Parts III, line 30 . . . . .	<b>1</b>	
<b>2</b>	Enter: \$180,000 if married filing jointly; \$90,000 if single, head of household, or qualifying surviving spouse . . . . .	<b>2</b>	
<b>3</b>	Enter the amount from Form 1040 or 1040-SR, line 11. But if you're filing Form 2555 or 4563, or you're excluding income from Puerto Rico, see Pub. 970 for the amount to enter instead . . . . .	<b>3</b>	
<b>4</b>	Subtract line 3 from line 2. If zero or less, <b>stop</b> ; you can't take any education credit . . . . .	<b>4</b>	
<b>5</b>	Enter: \$20,000 if married filing jointly; \$10,000 if single, head of household, or qualifying surviving spouse . . . . .	<b>5</b>	
<b>6</b>	If line 4 is: • Equal to or more than line 5, enter 1.000 on line 6 . . . . . • Less than line 5, divide line 4 by line 5. Enter the result as a decimal (rounded to at least three places) . . . . .	<b>6</b>	
<b>7</b>	Multiply line 1 by line 6. <b>Caution:</b> If you were under age 24 at the end of the year <b>and</b> meet the conditions described in the instructions, you <b>can't</b> take the refundable American opportunity credit; skip line 8, enter the amount from line 7 on line 9, and check this box . . . . . <input type="checkbox"/>	<b>7</b>	
<b>8</b>	<b>Refundable American opportunity credit.</b> Multiply line 7 by 40% (0.40). Enter the amount here and on Form 1040 or 1040-SR, line 29. Then go to line 9 below. . . . .	<b>8</b>	

**Part II Nonrefundable Education Credits**

<b>9</b>	Subtract line 8 from line 7. Enter here and on line 2 of the Credit Limit Worksheet (see instructions) . . . . .	<b>9</b>	
<b>10</b>	After completing Part III for each student, enter the total of all amounts from all Parts III, line 31. If		

**SCHEDULE 3  
(Form 1040)**

Department of the Treasury  
Internal Revenue Service

# Additional Credits and Payments

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.

OMB No. 1545-0074

**2023**

Attachment  
Sequence No. **03**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR

Your social security number

## Part I Nonrefundable Credits

<b>1</b>	Foreign tax credit. Attach Form 1116 if required . . . . .	<b>1</b>	
<b>2</b>	Credit for child and dependent care expenses from Form 2441, line 11. Attach Form 2441 . . . . .	<b>2</b>	
<b>3</b>	Education credits from Form 8863, line 19 . . . . .	<b>3</b>	
<b>4</b>	Retirement savings contributions credit. Attach Form 8880 . . . . .	<b>4</b>	
<b>5a</b>	Residential clean energy credit from Form 5695, line 15 . . . . .	<b>5a</b>	
<b>b</b>	Energy efficient home improvement credit from Form 5695, line 32 . . . . .	<b>5b</b>	
<b>6</b>	Other nonrefundable credits:		
<b>a</b>	General business credit. Attach Form 3800 . . . . .	<b>6a</b>	
<b>b</b>	Credit for prior year minimum tax. Attach Form 8801 . . . . .	<b>6b</b>	
<b>c</b>	Adoption credit. Attach Form 8839 . . . . .	<b>6c</b>	

**Tax and Credits**

<b>16</b>	<b>Tax</b> (see instructions). Check if any from Form(s): <b>1</b> <input type="checkbox"/> 8814 <b>2</b> <input type="checkbox"/> 4972 <b>3</b> <input type="checkbox"/> _____ . . .	<b>16</b>	
<b>17</b>	Amount from Schedule 2, line 3 . . . . .	<b>17</b>	
<b>18</b>	Add lines 16 and 17 . . . . .	<b>18</b>	
<b>19</b>	Child tax credit or credit for other dependents from Schedule 8812 . . . . .	<b>19</b>	
<b>20</b>	Amount from Schedule 3, line 8 . . . . .	<b>20</b>	
<b>21</b>	Add lines 19 and 20 . . . . .	<b>21</b>	
<b>22</b>	Subtract line 21 from line 18. If zero or less, enter -0- . . . . .	<b>22</b>	
<b>23</b>	Other taxes, including self-employment tax, from Schedule 2, line 21 . . . . .	<b>23</b>	
<b>24</b>	Add lines 22 and 23. This is your <b>total tax</b> . . . . .	<b>24</b>	

**Payments**

<b>25</b>	Federal income tax withheld from:		
<b>a</b>	Form(s) W-2 . . . . .	<b>25a</b>	
<b>b</b>	Form(s) 1099 . . . . .	<b>25b</b>	
<b>c</b>	Other forms (see instructions) . . . . .	<b>25c</b>	
<b>d</b>	Add lines 25a through 25c . . . . .	<b>25d</b>	
<b>26</b>	2023 estimated tax payments and amount applied from 2022 return . . . . .	<b>26</b>	
<b>27</b>	Earned income credit (EIC) . . . . .	<b>27</b>	
<b>28</b>	Additional child tax credit from Schedule 8812 . . . . .	<b>28</b>	
<b>29</b>	American opportunity credit from Form 8863, line 8 . . . . .	<b>29</b>	
<b>30</b>	Reserved for future use . . . . .	<b>30</b>	
<b>31</b>	Amount from Schedule 3, line 15 . . . . .	<b>31</b>	
<b>32</b>	Add lines 27, 28, 29, and 31. These are your <b>total other payments and refundable credits</b> . . . . .	<b>32</b>	
<b>33</b>	Add lines 25d, 26, and 32. These are your <b>total payments</b> . . . . .	<b>33</b>	

If you have a qualifying child, attach Sch. EIC.

# What Expenses Qualify?

The lifetime learning credit is based on qualified education expenses you pay for yourself, your spouse, or a dependent you claim on your tax return. Generally, the credit is allowed for qualified education expenses paid in 2023 for an academic period beginning in 2023 or in the first 3 months of 2024.

For example, if you paid \$1,500 in December 2023 for qualified tuition for the spring 2024 semester beginning in January 2024, you may be able to use that \$1,500 in figuring your 2023 credit.







## Academic period.

An academic period includes a semester, trimester, quarter, or other period of study (such as a summer school session) as reasonably determined by an educational institution.

If an educational institution uses credit hours or clock hours and doesn't have academic terms, each payment period can be treated as an academic period.

## Paid with borrowed funds.

You can claim a lifetime learning credit for qualified education expenses paid with the proceeds of a loan. You use the expenses to figure the lifetime learning credit for the year in which the expenses are paid, not the year in which the loan is repaid.

Treat loan disbursements sent directly to the educational institution as paid on the date the institution credits the student's account.

## Student withdraws from class(es).

You can claim a lifetime learning credit for qualified education expenses not refunded when a student withdraws.

# Qualified Education Expenses

For purposes of the lifetime learning credit, qualified education expenses are tuition and certain related expenses required for enrollment in a course at an eligible educational institution.

The course must be either part of a post-secondary degree program or taken by the student to acquire or improve job skills.





## Eligible educational institution.

An eligible educational institution is any college, university, vocational school, or other postsecondary educational institution eligible to participate in a student aid program administered by the U.S. Department of Education.

Virtually all accredited public, nonprofit, and proprietary (privately owned profit-making) postsecondary institutions meet this definition.

An eligible educational institution also includes certain educational institutions located outside the United States that are eligible to participate in a student aid program administered by the U.S. Department of Education.

## Related expenses.

- Student activity fees and expenses for course-related books, supplies, and equipment are included in qualified education expenses only if the fees and expenses must be paid to the institution for enrollment or attendance.

## Prepaid expenses.

- Qualified education expenses paid in 2023 for an academic period that begins in the first 3 months of 2024 can be used in figuring an education credit for 2023 only. See *Academic period*, earlier.
- For ex-ample, if you pay \$2,000 in December 2023 for qualified tuition for the 2024 winter quarter that begins in January 2024, you can use that \$2,000 in figuring an education credit for 2023 only (if you meet all the other requirements).





## *Example 1.*

Jackson is a sophomore in University V's degree program in dentistry. This year, in addition to tuition, Jackson is required to pay a fee to the university for the rental of the dental equipment that will be used in this program.

Because the equipment rental fee must be paid to University V for enrollment and attendance, the equipment rental fee is a qualified expense.

## *Example 2.*

Donna and Charles, both first-year students at College W, are required to have certain books and other reading materials to use in their mandatory first-year classes.

The college has no policy about how students should obtain these materials, but any student who purchases them from College W's bookstore will receive a bill directly from the college.

Charles bought the books from a friend, so what was paid for them isn't a qualified education expense. Donna bought the books at College W's bookstore.

Although Donna paid College W directly for the first-year books and materials, the payment isn't a qualified expense because the books and materials aren't required to be purchased from College W for enrollment or attendance at the institution.





**Example 3.**

- When Marci enrolled at College X for freshman year, a separate student activity fee in addition to tuition had to be paid. This activity fee is required of all students, and is used solely to fund on-campus organizations and activities run by students, such as the student newspaper and student government.
- No portion of the fee covers personal expenses. Although labeled as a student activity fee, the fee is required for Marci's enrollment and attendance at College X. Therefore, it is a qualified expense.

An illustration of a woman with long dark hair, wearing a light blue long-sleeved top, sitting at a desk in an office. She is smiling and looking towards the right. Her hands are on a keyboard. On the desk are a smartphone, a pen, and a notebook. In the background, there is a framed picture of her smiling and holding a pen, and a potted plant.

**No Double Benefit Allowed - You can't do any of the following.**

Deduct higher education expenses on your income tax return (as, for example, a business expense) and also claim a lifetime learning credit based on those same expenses.

Claim a lifetime learning credit for any student and use any of that student's expenses in figuring your American opportunity credit.

Claim a lifetime learning credit based on the same expenses used to figure the tax-free portion of a distribution from a Coverdell education savings account (ESA) or qualified tuition program (QTP). See *Coordination With American Opportunity and Lifetime Learning Credits* in chapter 6 and *Coordination With American Opportunity and Lifetime Learning Credits* in chapter 7.

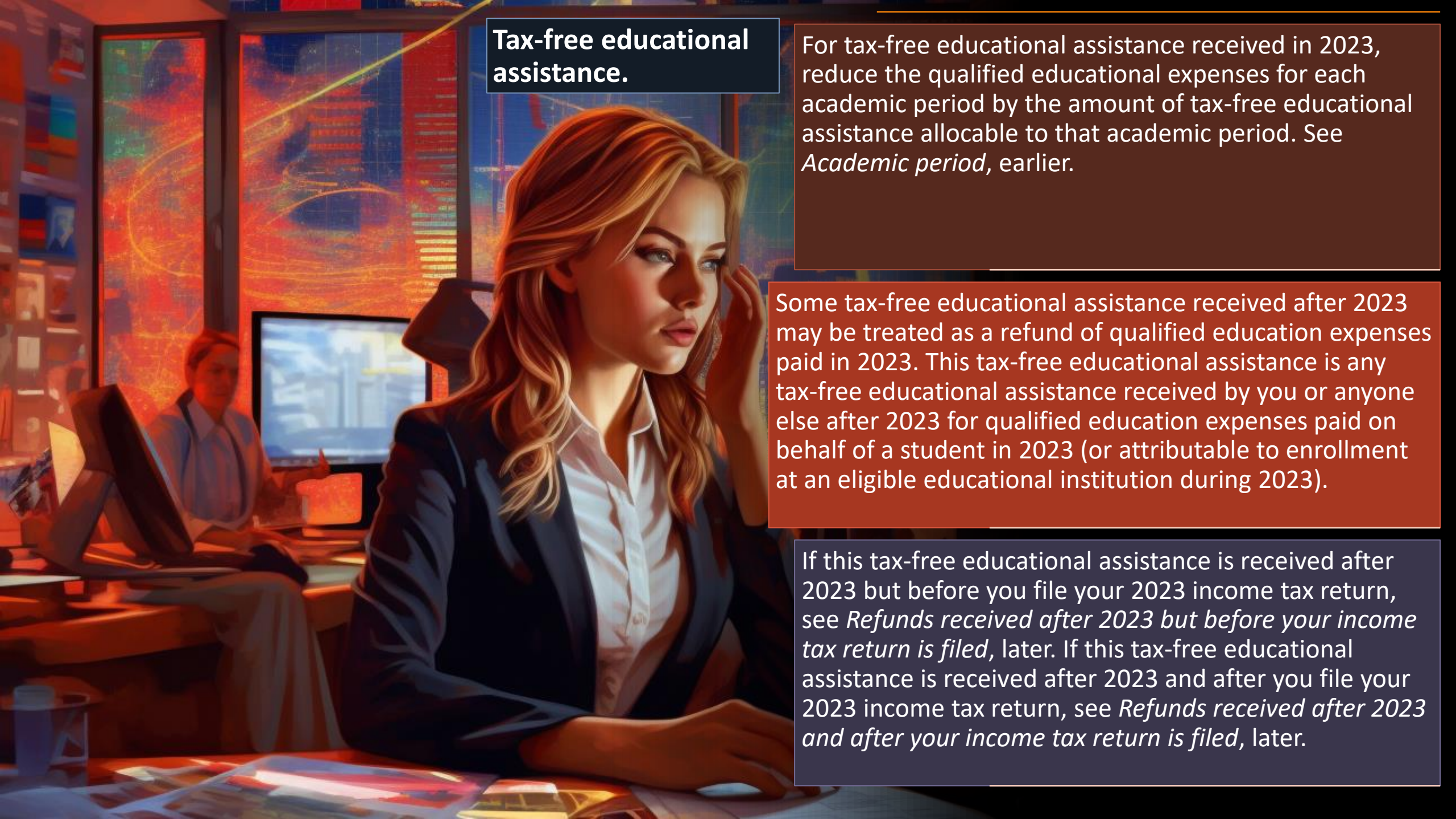
Claim a credit based on qualified education expenses paid with tax-free educational assistance, such as a scholarship, grant, or assistance provided by an employer. See *Adjustments to Qualified Education Expenses* next.



## Adjustments to Qualified Education Expenses

- For each student, reduce the qualified education expenses paid by or on behalf of that student under the following rules.
- The result is the amount of adjusted qualified education expenses for each student.





**Tax-free educational assistance.**

For tax-free educational assistance received in 2023, reduce the qualified educational expenses for each academic period by the amount of tax-free educational assistance allocable to that academic period. See *Academic period*, earlier.

Some tax-free educational assistance received after 2023 may be treated as a refund of qualified education expenses paid in 2023. This tax-free educational assistance is any tax-free educational assistance received by you or anyone else after 2023 for qualified education expenses paid on behalf of a student in 2023 (or attributable to enrollment at an eligible educational institution during 2023).

If this tax-free educational assistance is received after 2023 but before you file your 2023 income tax return, see *Refunds received after 2023 but before your income tax return is filed*, later. If this tax-free educational assistance is received after 2023 and after you file your 2023 income tax return, see *Refunds received after 2023 and after your income tax return is filed*, later.



## Tax-free educational assistance includes:

The tax-free part of scholarships and fellowship grants (see *Tax-Free Scholarships and Fellowship Grants* in chapter 1);

The tax-free part of Pell grants (see *Pell Grants and Other Title IV Need-Based Education Grants* in chapter 1);

Employer-provided educational assistance (see chapter 10);

Veterans' educational assistance (see *Veterans' Benefits* in chapter 1); and

Any other nontaxable (tax-free) payments (other than gifts or inheritances) received as educational assistance.

Generally, any scholarship or fellowship grant is treated as tax free. However, a scholarship or fellowship grant isn't treated as tax free to the extent the student includes it in gross income (the student may or may not be required to file a tax return for the year the scholarship or fellowship grant is received) and either of the following is true.

The scholarship or fellowship grant (or any part of it) **must** be applied (by its terms) to expenses (such as room and board) other than qualified education expenses as defined in *Qualified education expenses* in chapter 1.

The scholarship or fellowship grant (or any part of it) **may** be applied (by its terms) to expenses (such as room and board) other than qualified education expenses as defined in *Qualified education expenses* in chapter 1.





# Refunds.

A refund of qualified education expenses may reduce adjusted qualified education expenses for the tax year or require repayment (recapture) of a credit claimed in an earlier year.

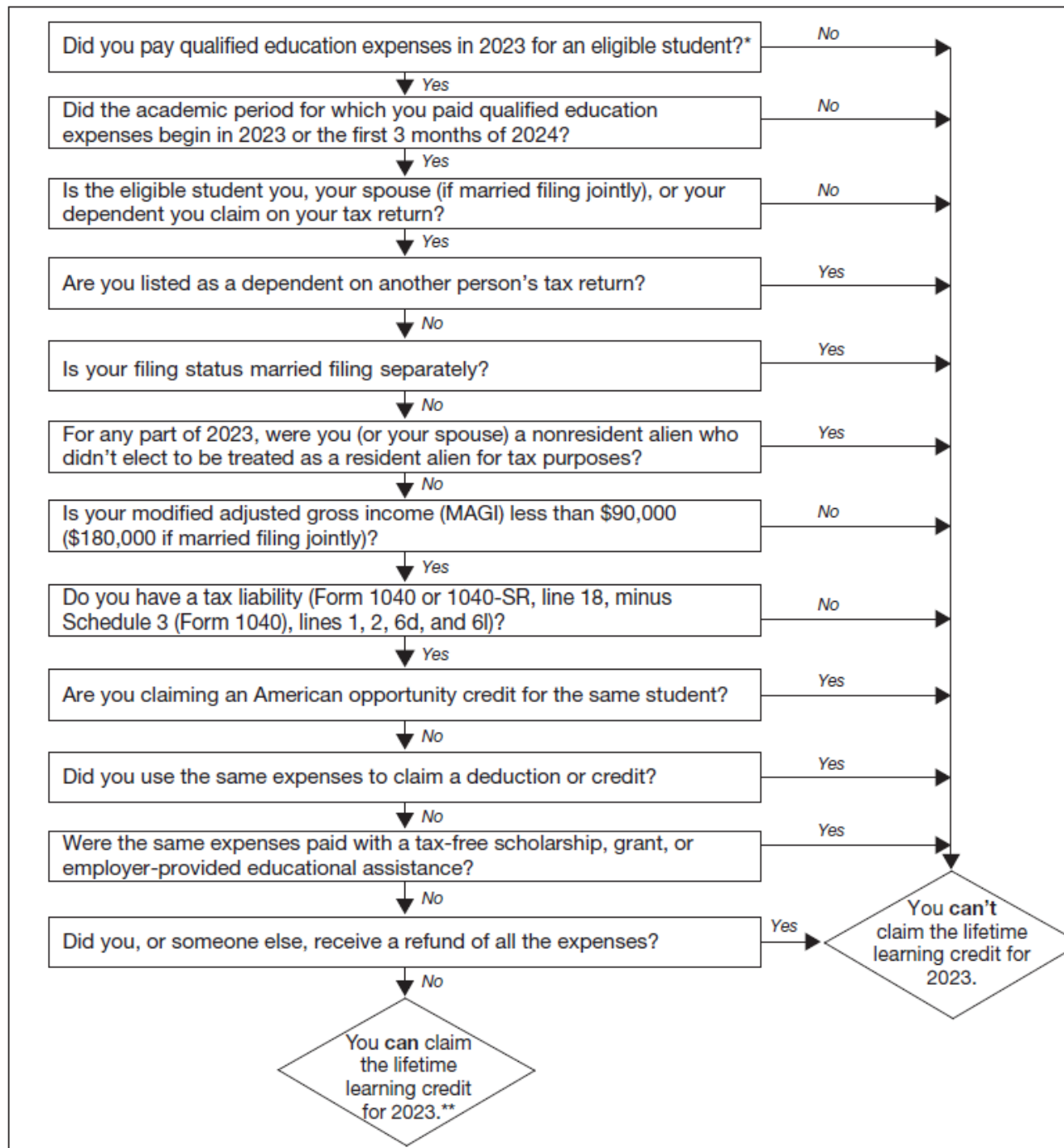
Some tax-free educational assistance received after 2023 may be treated as a refund. See *Tax-free educational assistance*, earlier.

## *Refunds received in 2023.*

- For each student, figure the adjusted qualified education expenses for 2023 by adding all the qualified education expenses for 2023 and subtracting any refunds of those expenses received from the eligible educational institution during 2023.



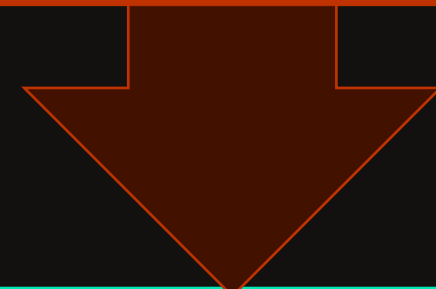
**Figure 3-1. Can You Claim the Lifetime Learning Credit for 2023?**





***Refunds received after 2023 but before your income tax return is filed.***

If anyone receives a refund after 2023 of qualified education expenses paid on behalf of a student in 2023 and the refund is paid before you file an income tax return for 2023, the amount of qualified education expenses for 2023 is reduced by the amount of the refund.



***Refunds received after 2023 and after your income tax return is filed.***

If anyone receives a refund after 2023 of qualified education expenses paid on behalf of a student in 2023 and the refund is paid after you file an income tax return for 2023, you may need to repay some or all of the credit. See *Credit recapture* next.



# Credit recapture.

If any tax-free educational assistance for the qualified education expenses paid in 2023 or any refund of your qualified education expenses paid in 2023 is received after you file your 2023 income tax return, you must recapture (repay) any excess credit.

You do this by refiguring the amount of your adjusted qualified education expenses for 2023 by reducing the expenses by the amount of the refund or tax-free educational assistance.

You then refigure your education credit(s) for 2023 and figure the amount by which your 2023 tax liability would have increased if you had claimed the refigured credit(s). Include that amount as an additional tax for the year the re-fund or tax-free assistance was received.





# *Example.*

You pay \$9,300 in tuition and fees in December 2023, and your child began college in January 2024.

You filed your 2023 tax return on February 14, 2024, and claimed a lifetime learning credit of \$1,860.

You claimed no other tax credits. After you filed your return, your child withdrew from two courses and you received a refund of \$2,900.

You must refigure your 2023 lifetime learning credit using \$6,400 of qualified education expenses instead of \$9,300.

The refigured credit is \$1,280 and your tax liability increased by \$580.

See the instructions for your 2024 income tax return to determine where to include this tax.

# Tip

*If you pay qualified education expenses in both 2023 and 2024 for an academic period that begins in the first 3 months of 2024 and you receive tax-free educational assistance, or a refund, as described above, you may choose to reduce your qualified education expenses for 2024 instead of reducing your expenses for 2023.*





**Amounts that don't reduce qualified education expenses.**

Don't reduce qualified education expenses by amounts paid with funds the student receives as:

Payment for services, such as wages;

A loan;

A gift;

An inheritance; or

A withdrawal from the student's personal savings.

Don't reduce the qualified education expenses by any scholarship or fellowship grant reported as income on the student's tax return in the following situations.

The use of the money is restricted, by the terms of the scholarship or fellowship grant, to costs of attendance (such as room and board) other than qualified education expenses, as defined in *Qualified education expenses* in chapter 1.

The use of the money isn't restricted.





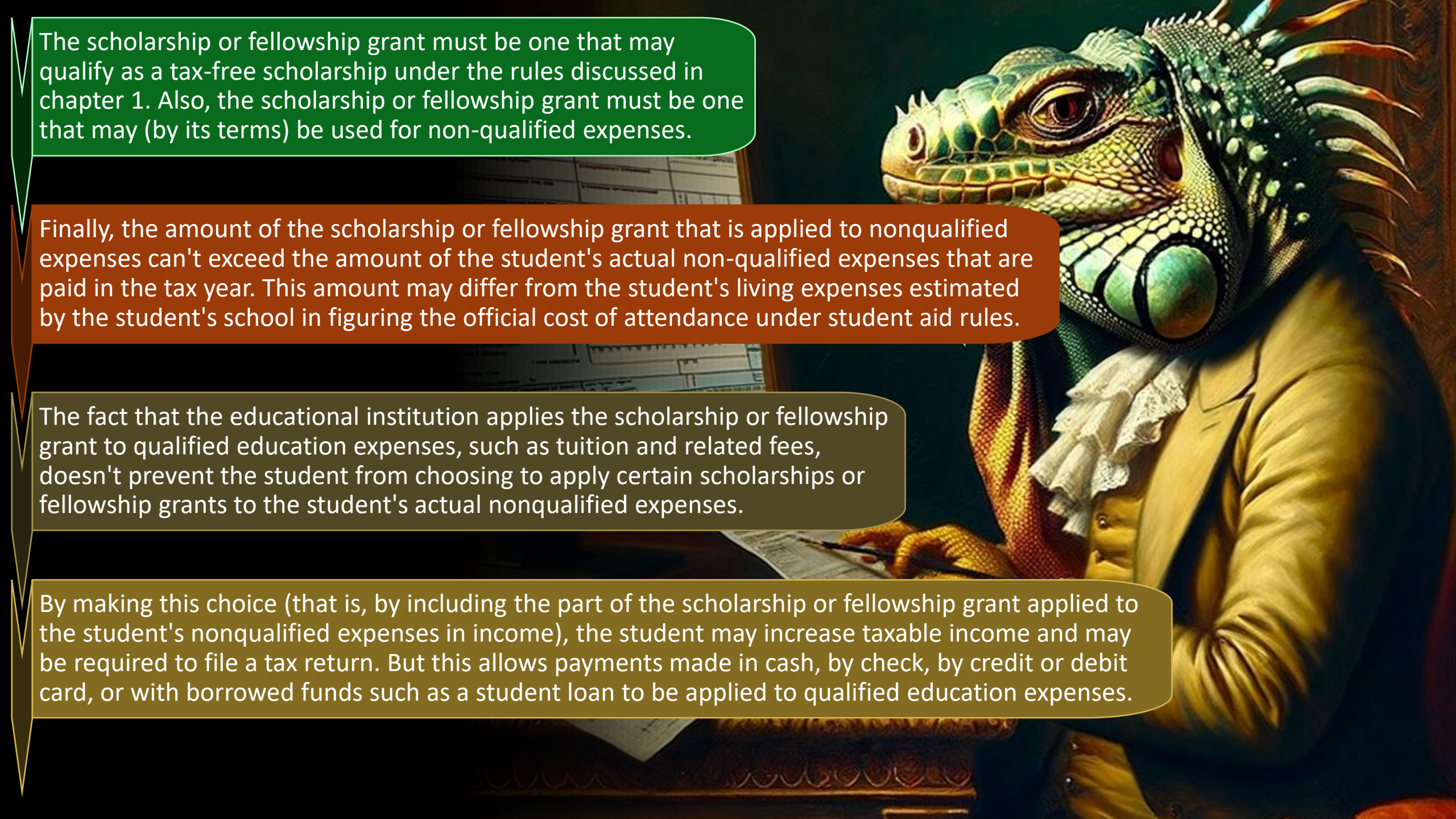
## Coordination with Pell grants and other scholarships.

You may be able to increase your lifetime learning credit when the student (you, your spouse, or your dependent) includes certain scholarships or fellowship grants in the student's gross income. Your credit may increase only if the amount of the student's qualified education expenses minus the total amount of scholarships and fellowship grants is less than \$10,000.

If this situation applies, consider including some or all of the scholarship or fellowship grant in the student's income in order to treat the included amount as paying nonqualified expenses instead of qualified education expenses. Nonqualified expenses are expenses such as room and board that aren't qualified education expenses such as tuition and related fees.

Scholarships and fellowship grants that the student includes in income don't reduce the student's qualified education expenses available to figure your lifetime learning credit. Thus, including enough of the scholarship or fellowship grant in the student's income to report up to \$10,000 in qualified education expenses for your lifetime learning credit may increase the credit by enough to increase your tax refund or reduce the amount of tax you owe even considering any increased tax liability from the additional income.

However, the increase in tax liability as well as the loss of other tax credits may be greater than the additional lifetime learning credit and may cause your tax refund to decrease or the amount of tax you owe to increase. Your specific circumstances will determine what amount, if any, of the scholarship or fellowship grant to include in income to maximize your tax refund or minimize the amount of tax you owe.

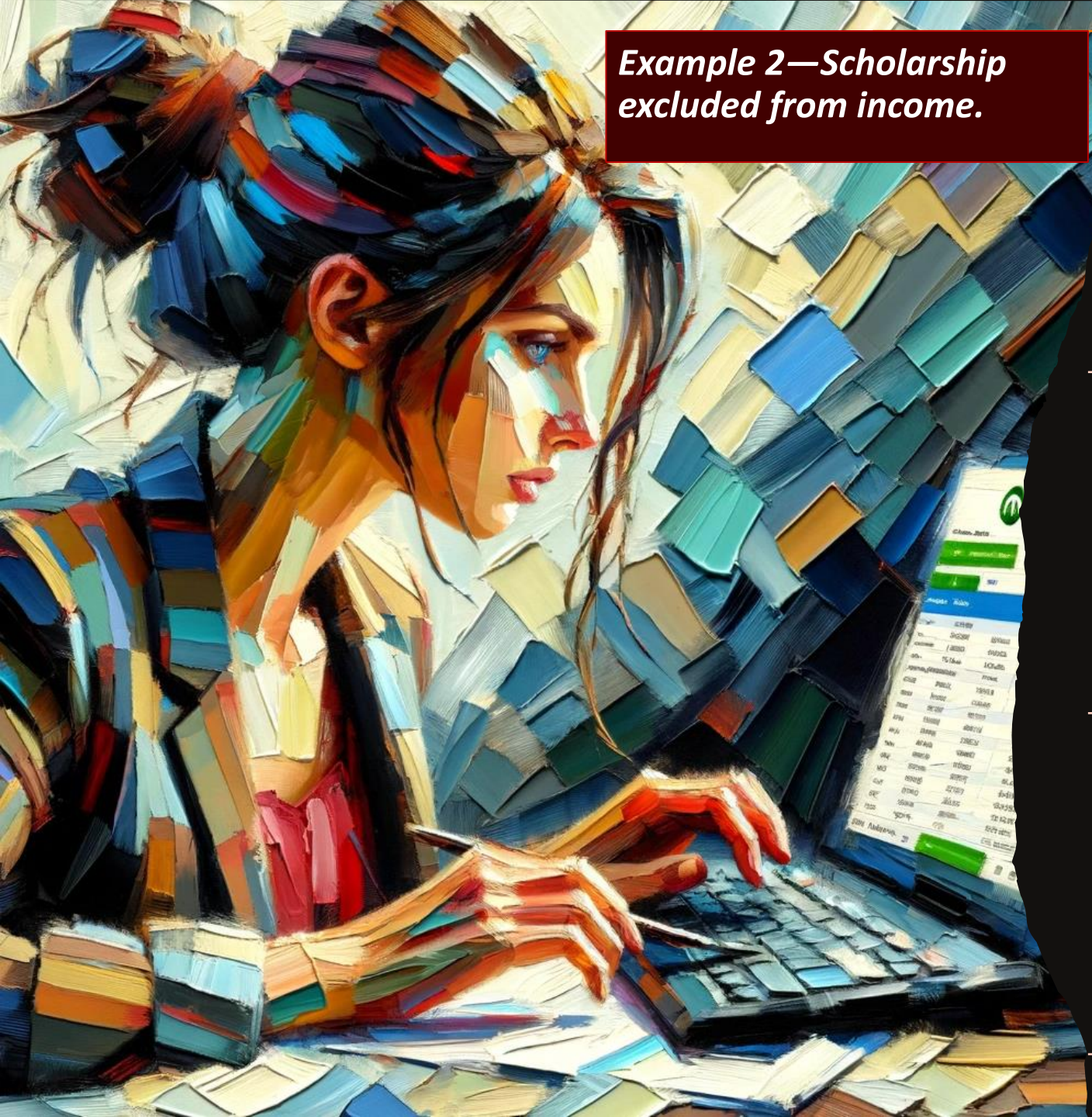


The scholarship or fellowship grant must be one that may qualify as a tax-free scholarship under the rules discussed in chapter 1. Also, the scholarship or fellowship grant must be one that may (by its terms) be used for non-qualified expenses.

Finally, the amount of the scholarship or fellowship grant that is applied to nonqualified expenses can't exceed the amount of the student's actual non-qualified expenses that are paid in the tax year. This amount may differ from the student's living expenses estimated by the student's school in figuring the official cost of attendance under student aid rules.

The fact that the educational institution applies the scholarship or fellowship grant to qualified education expenses, such as tuition and related fees, doesn't prevent the student from choosing to apply certain scholarships or fellowship grants to the student's actual nonqualified expenses.

By making this choice (that is, by including the part of the scholarship or fellowship grant applied to the student's nonqualified expenses in income), the student may increase taxable income and may be required to file a tax return. But this allows payments made in cash, by check, by credit or debit card, or with borrowed funds such as a student loan to be applied to qualified education expenses.



**Example 2—Scholarship excluded from income.**

The facts are the same as in *Example 1—No scholarship*, except that Judy was awarded a \$1,500 scholarship. Under the terms of the scholarship, it may be used to pay any educational expenses, including room and board.

If the scholarship is excluded from income, Judy will be deemed (for purposes of figuring the education credit) to have applied the scholarship to pay for tuition, required fees, and course materials.

Only \$3,000 of the \$4,500 tuition paid in 2023 could be used when figuring the 2023 lifetime learning credit. The lifetime learning credit would be reduced to \$600 and the tax liability after credits would be \$965.



### ***Example 3—Scholarship included in income.***

The facts are the same as in *Example 2—Scholarship excluded from income.*

If, unlike *Example 2*, Judy includes the \$1,500 scholarship in income, Judy will be deemed to have applied the entire scholarship to pay for room and board.

Judy's AGI and MAGI would increase to \$30,200, the taxable income would be \$16,350, and the tax liability before credits would be \$1,745.

Judy would be able to use the \$4,500 of adjusted qualified education expenses to figure the credit.

Judy could claim a \$900 lifetime learning credit and the tax liability after credits would be \$845.





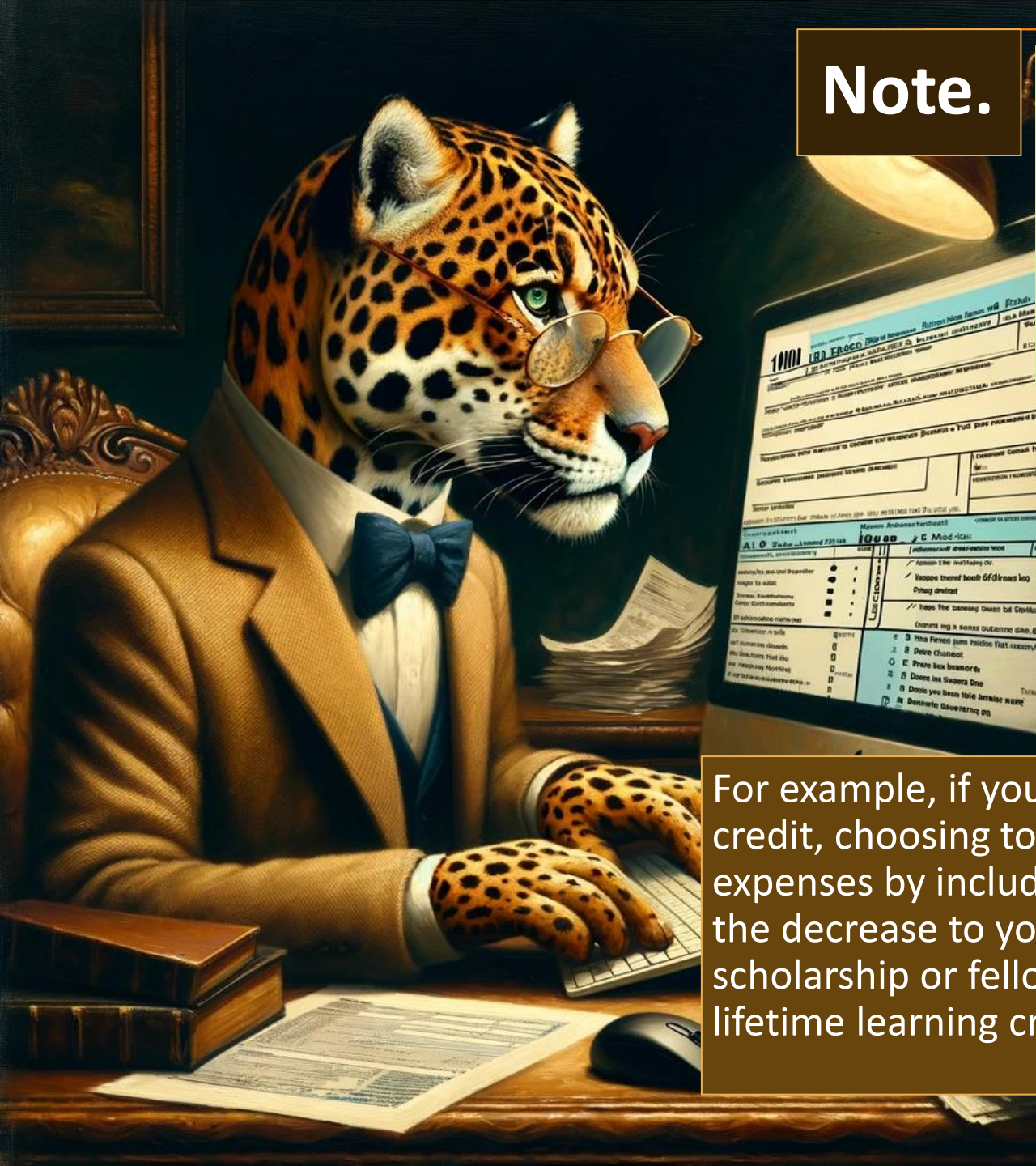
## ***Example 4—Scholarship applied by the postsecondary school to tuition.***

The facts are the same as in *Example 3—Scholarship included in income*, except the \$1,500 scholarship is paid directly to the public community college.

The fact that the public community college applies the scholarship to Judy's tuition and related fees doesn't prevent Judy from including the \$1,500 scholarship in income.

As in *Example 3*, by doing so, Judy will be deemed to have applied the entire scholarship to pay for room and board.

Judy could claim the \$900 lifetime learning credit and the tax liability after credits would be \$845.



## Note.

Whether you will benefit from applying a scholarship or fellowship grant to nonqualified expenses will depend on the amount of the student's qualified education expenses, the amount of the scholarship or fellowship grant, and whether the scholarship or fellowship grant may (by its terms) be used for nonqualified expenses.

Any benefit will also depend on the student's federal and state marginal tax rates as well as any federal and state tax credits the student claims. Before deciding, look at the total amount of your federal and state tax refunds or taxes owed and, if the student is your dependent, the student's tax refunds or taxes owed.

For example, if you are the student and you also claim the earned income credit, choosing to apply a scholarship or fellowship grant to nonqualified expenses by including the amount in your income may not benefit you if the decrease to your earned income credit as a result of including the scholarship or fellowship grant in income is more than the increase to your lifetime learning credit as a result of including this amount in income.

## Expenses That Don't Qualify

Qualified education expenses don't include amounts paid for:

Insurance;

Medical expenses (including student health fees);

Room and board;

Transportation;  
or

Similar personal, living,  
or family expenses.





**Sports, games, hobbies, and noncredit courses.**

Qualified education expenses generally don't include expenses that relate to any course of instruction or other education that involves sports, games, or hobbies, or any noncredit course.

However, if the course of instruction or other education is part of the student's degree program or is taken by the student to acquire or improve job skills, these expenses can qualify.

# Comprehensive or bundled fees.

Some eligible educational institutions combine all of their fees for an academic period into one amount. If you don't receive or don't have access to an allocation showing how much you paid for qualified education expenses and how much you paid for personal expenses, such as those listed above, contact the institution.

The institution is generally required to make this allocation and provide you with the amount you paid for qualified education expenses on Form 1098-T. See *Figuring the Credit*, later, for more information about Form 1098-T.



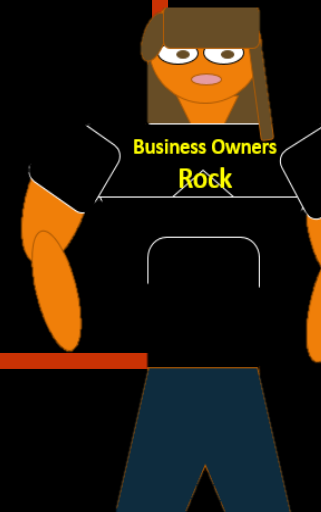


# Income Tax

2023-2024



# Education Credit Example



8383

 VOID  CORRECTED

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number		1 Payments received for qualified tuition and related expenses \$	OMB No. 1545-1574 <b>2024</b> Form <b>1098-T</b>	<b>Tuition Statement</b>  <b>Copy A</b> <b>For Internal Revenue Service Center</b> <b>File with Form 1096.</b> For Privacy Act and Paperwork Reduction Act Notice, see the <b>2024 General Instructions for Certain Information Returns.</b>
FILER'S employer identification no.	STUDENT'S TIN <input type="checkbox"/>	2	3	
STUDENT'S name		4 Adjustments made for a prior year \$	5 Scholarships or grants \$	
Street address (including apt. no.)		6 Adjustments to scholarships or grants for a prior year \$	7 Checked if the amount in box 1 includes amounts for an academic period beginning January–March 2025 <input type="checkbox"/>	
City or town, state or province, country, and ZIP or foreign postal code		8 Checked if at least half-time student <input type="checkbox"/>	9 Checked if a graduate student <input type="checkbox"/>	
Service Provider/Acct. No. (see instr.)			10 Ins. contract reimb./refund \$	

Form **1098-T**

Cat. No. 25087J

[www.irs.gov/Form1098T](http://www.irs.gov/Form1098T)

Department of the Treasury - Internal Revenue Service

**Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page**



**Education Credits**  
**(American Opportunity and Lifetime Learning Credits)**

Department of the Treasury  
Internal Revenue Service

Attach to Form 1040 or 1040-SR.  
Go to [www.irs.gov/Form8863](http://www.irs.gov/Form8863) for instructions and the latest information.

**2023**  
Attachment  
Sequence No. **50**

Name(s) shown on return

Your social security number



*Complete a separate Part III on page 2 for each student for whom you're claiming either credit before you complete Parts I and II.*

**Part I Refundable American Opportunity Credit**

<b>1</b>	After completing Part III for each student, enter the total of all amounts from all Parts III, line 30 . . . . .	<b>1</b>	
<b>2</b>	Enter: \$180,000 if married filing jointly; \$90,000 if single, head of household, or qualifying surviving spouse . . . . .	<b>2</b>	
<b>3</b>	Enter the amount from Form 1040 or 1040-SR, line 11. But if you're filing Form 2555 or 4563, or you're excluding income from Puerto Rico, see Pub. 970 for the amount to enter instead . . . . .	<b>3</b>	
<b>4</b>	Subtract line 3 from line 2. If zero or less, <b>stop</b> ; you can't take any education credit . . . . .	<b>4</b>	
<b>5</b>	Enter: \$20,000 if married filing jointly; \$10,000 if single, head of household, or qualifying surviving spouse . . . . .	<b>5</b>	
<b>6</b>	If line 4 is: • Equal to or more than line 5, enter 1.000 on line 6 . . . . . • Less than line 5, divide line 4 by line 5. Enter the result as a decimal (rounded to at least three places) . . . . .	<b>6</b>	
<b>7</b>	Multiply line 1 by line 6. <b>Caution:</b> If you were under age 24 at the end of the year <b>and</b> meet the conditions described in the instructions, you <b>can't</b> take the refundable American opportunity credit; skip line 8, enter the amount from line 7 on line 9, and check this box . . . . . <input type="checkbox"/>	<b>7</b>	
<b>8</b>	<b>Refundable American opportunity credit.</b> Multiply line 7 by 40% (0.40). Enter the amount here and on Form 1040 or 1040-SR, line 29. Then go to line 9 below. . . . .	<b>8</b>	

**Part II Nonrefundable Education Credits**

<b>9</b>	Subtract line 8 from line 7. Enter here and on line 2 of the Credit Limit Worksheet (see instructions) . . . . .	<b>9</b>	
<b>10</b>	After completing Part III for each student, enter the total of all amounts from all Parts III, line 31. If		

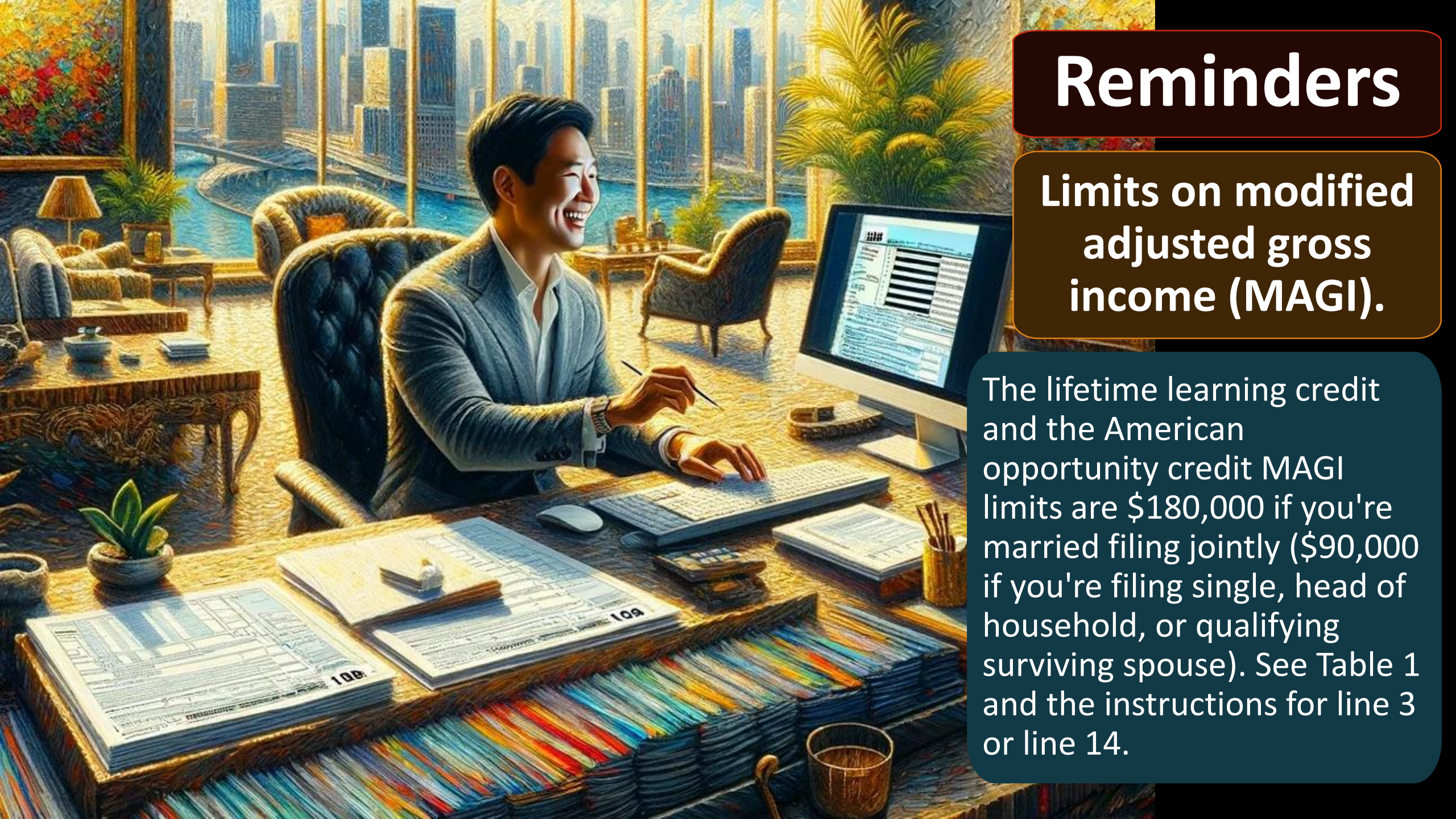
**Tax and Credits**

<b>16</b>	<b>Tax</b> (see instructions). Check if any from Form(s): <b>1</b> <input type="checkbox"/> 8814 <b>2</b> <input type="checkbox"/> 4972 <b>3</b> <input type="checkbox"/> _____ . . . . .	<b>16</b>	
<b>17</b>	Amount from Schedule 2, line 3 . . . . .	<b>17</b>	
<b>18</b>	Add lines 16 and 17 . . . . .	<b>18</b>	
<b>19</b>	Child tax credit or credit for other dependents from Schedule 8812 . . . . .	<b>19</b>	
<b>20</b>	Amount from Schedule 3, line 8 . . . . .	<b>20</b>	
<b>21</b>	Add lines 19 and 20 . . . . .	<b>21</b>	
<b>22</b>	Subtract line 21 from line 18. If zero or less, enter -0- . . . . .	<b>22</b>	
<b>23</b>	Other taxes, including self-employment tax, from Schedule 2, line 21 . . . . .	<b>23</b>	
<b>24</b>	Add lines 22 and 23. This is your <b>total tax</b> . . . . .	<b>24</b>	

**Payments**

<b>25</b>	Federal income tax withheld from:		
<b>a</b>	Form(s) W-2 . . . . .	<b>25a</b>	
<b>b</b>	Form(s) 1099 . . . . .	<b>25b</b>	
<b>c</b>	Other forms (see instructions) . . . . .	<b>25c</b>	
<b>d</b>	Add lines 25a through 25c . . . . .	<b>25d</b>	
<b>26</b>	2023 estimated tax payments and amount applied from 2022 return . . . . .	<b>26</b>	
<b>27</b>	Earned income credit (EIC) . . . . .	<b>27</b>	
<b>28</b>	Additional child tax credit from Schedule 8812 . . . . .	<b>28</b>	
<b>29</b>	American opportunity credit from Form 8863, line 8 . . . . .	<b>29</b>	
<b>30</b>	Reserved for future use . . . . .	<b>30</b>	
<b>31</b>	Amount from Schedule 3, line 15 . . . . .	<b>31</b>	
<b>32</b>	Add lines 27, 28, 29, and 31. These are your <b>total other payments and refundable credits</b> . . . . .	<b>32</b>	
<b>33</b>	Add lines 25d, 26, and 32. These are your <b>total payments</b> . . . . .	<b>33</b>	

If you have a qualifying child, attach Sch. EIC.



# Reminders

**Limits on modified adjusted gross income (MAGI).**

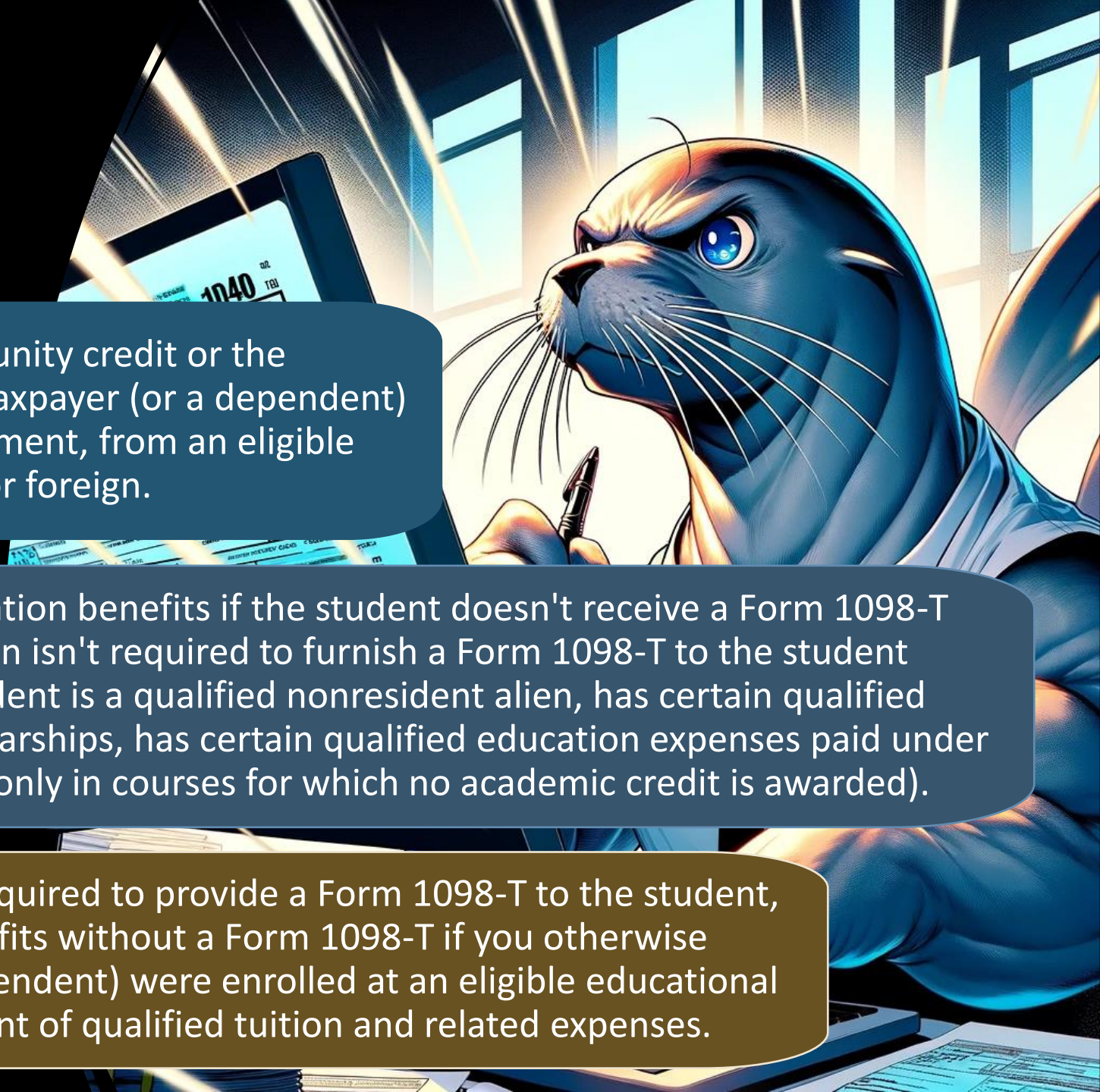
The lifetime learning credit and the American opportunity credit MAGI limits are \$180,000 if you're married filing jointly (\$90,000 if you're filing single, head of household, or qualifying surviving spouse). See Table 1 and the instructions for line 3 or line 14.

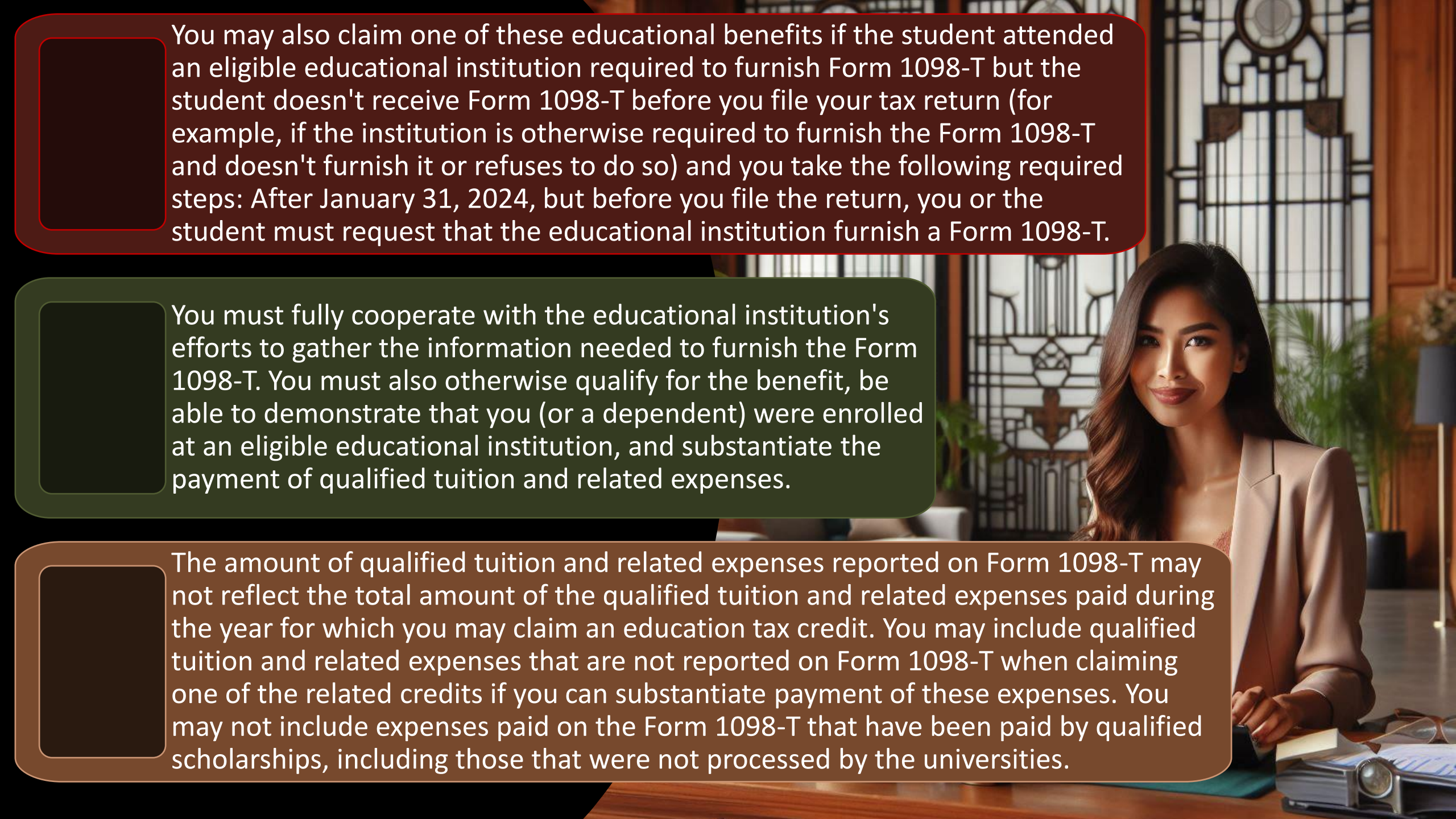
# Form 1098-T requirement.

To be eligible to claim the American opportunity credit or the lifetime learning credit, the law requires a taxpayer (or a dependent) to have received Form 1098-T, Tuition Statement, from an eligible educational institution, whether domestic or foreign.

However, you may claim one of these education benefits if the student doesn't receive a Form 1098-T because the student's educational institution isn't required to furnish a Form 1098-T to the student under existing rules (for example, if the student is a qualified nonresident alien, has certain qualified education expenses paid entirely with scholarships, has certain qualified education expenses paid under a formal billing arrangement, or is enrolled only in courses for which no academic credit is awarded).

If a student's educational institution isn't required to provide a Form 1098-T to the student, you may claim one of these education benefits without a Form 1098-T if you otherwise qualify, can demonstrate that you (or a dependent) were enrolled at an eligible educational institution, and can substantiate the payment of qualified tuition and related expenses.



A woman with long dark hair, wearing a light-colored blazer, is sitting at a desk in a professional office environment. She is looking towards the camera with a slight smile. On the desk in front of her are a laptop, a stack of papers, and a pair of glasses. The background features a large window with a decorative metal grille and some indoor plants.

You may also claim one of these educational benefits if the student attended an eligible educational institution required to furnish Form 1098-T but the student doesn't receive Form 1098-T before you file your tax return (for example, if the institution is otherwise required to furnish the Form 1098-T and doesn't furnish it or refuses to do so) and you take the following required steps: After January 31, 2024, but before you file the return, you or the student must request that the educational institution furnish a Form 1098-T.

You must fully cooperate with the educational institution's efforts to gather the information needed to furnish the Form 1098-T. You must also otherwise qualify for the benefit, be able to demonstrate that you (or a dependent) were enrolled at an eligible educational institution, and substantiate the payment of qualified tuition and related expenses.

The amount of qualified tuition and related expenses reported on Form 1098-T may not reflect the total amount of the qualified tuition and related expenses paid during the year for which you may claim an education tax credit. You may include qualified tuition and related expenses that are not reported on Form 1098-T when claiming one of the related credits if you can substantiate payment of these expenses. You may not include expenses paid on the Form 1098-T that have been paid by qualified scholarships, including those that were not processed by the universities.

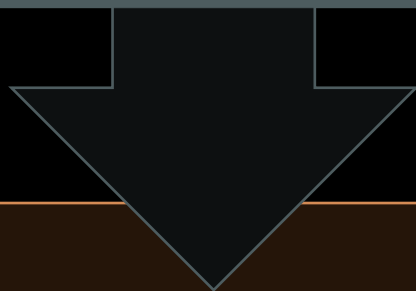


## Caution

*To claim the American opportunity credit, you must provide the educational institution's employer identification number (EIN) on your Form 8863. You should be able to get this information from Form 1098-T or the educational institution.*

## Ban on claiming the American opportunity credit.

If you claim the American opportunity credit even though you're not eligible, you may be banned from claiming the credit depending on your conduct. See the Caution statement under *American Opportunity Credit*, later.



## Taxpayer identification number (TIN) needed by due date of return.

If you haven't been issued a TIN by the due date of your 2023 return (including extensions), you can't claim the American opportunity credit on either your original or an amended 2023 return.

Also, the American opportunity credit isn't allowed on either your original or an amended 2023 return for a student who hasn't been issued a TIN by the due date of your 2023 return (including extensions).





## Form 8862 may be required.

- If your American opportunity credit was denied or reduced for any reason *other than a math or clerical error* for any tax year beginning after 2015, you must attach a completed Form 8862, Information To Claim Certain Credits After Disallowance, to your tax return for the next tax year for which you claim the credit. See Form 8862 and its instructions for details.

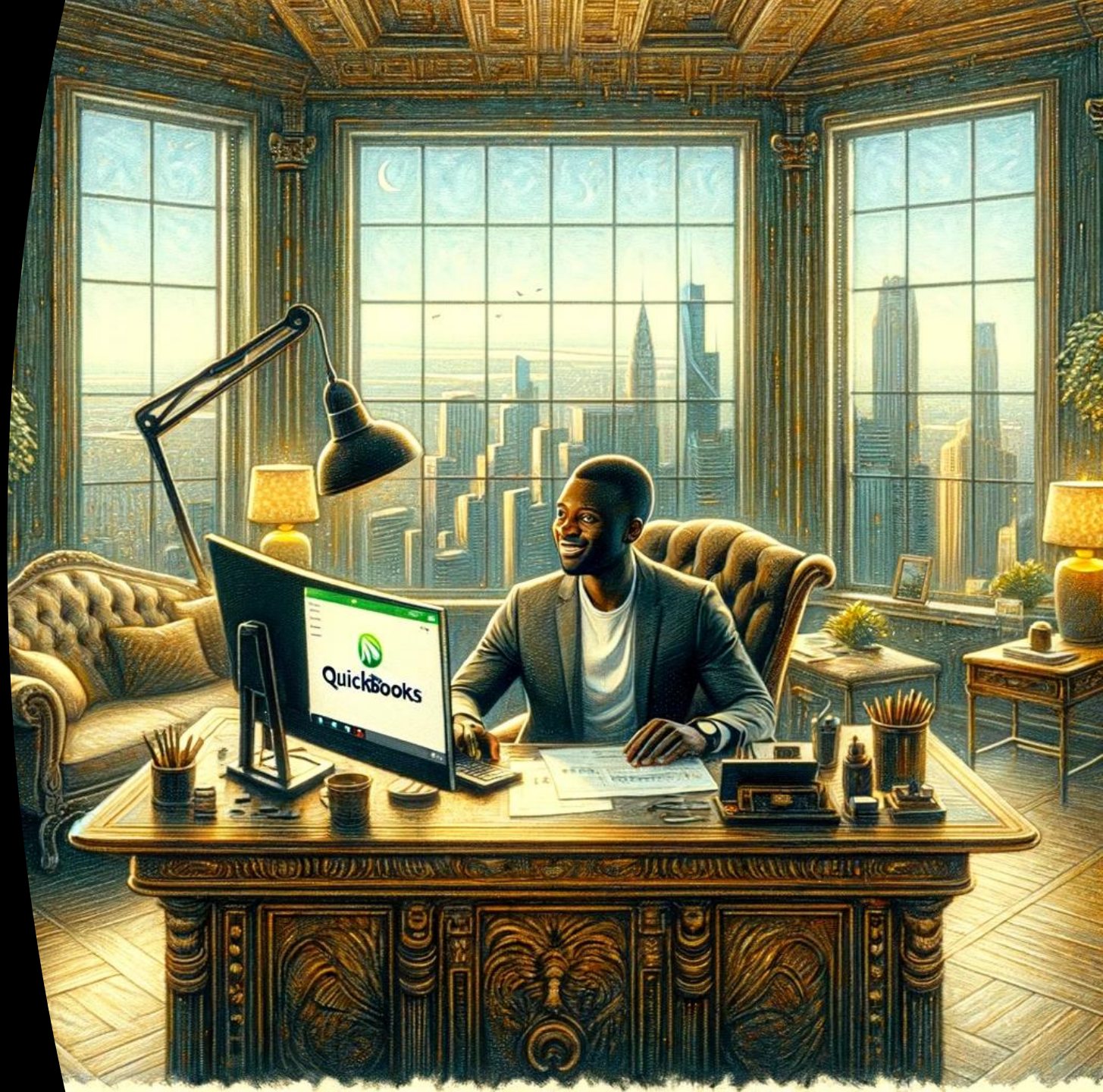


## General Instructions

**Purpose of Form** - Use Form 8863 to figure and claim your education credits, which are based on adjusted qualified education expenses paid to an eligible educational institution (postsecondary). For 2023, there are two education credits.

The American opportunity credit, part of which may be refundable.

The lifetime learning credit, which is nonrefundable.





A **refundable** credit can give you a refund when the credit is more than the tax you owe, even if you aren't required to file a tax return. A **nonrefundable** credit can reduce your tax, but any excess isn't refunded to you.

Both of these credits have different rules that can affect your eligibility to claim a specific credit. These differences are shown in Table 1.

**Table 1. Comparison of Education Credits for 2023**

**Caution.** You can claim both the American opportunity credit and the lifetime learning credit on the same return, but not for the same student.

	<b>American Opportunity Credit</b>	<b>Lifetime Learning Credit</b>
<b>Maximum credit</b>	Up to \$2,500 credit per <b>eligible student</b>	Up to \$2,000 credit per <b>return</b>
<b>Limit on modified adjusted gross income (MAGI)</b>	\$180,000 if married filing jointly; \$90,000 if single, head of household, or qualifying surviving spouse	\$180,000 if married filing jointly; \$90,000 if single, head of household, or qualifying surviving spouse
<b>Refundable or nonrefundable</b>	40% of credit may be refundable; the rest is nonrefundable	Nonrefundable—credit limited to the amount of tax you must pay on your taxable income
<b>Number of years of postsecondary education</b>	Available <b>ONLY</b> if the student had not completed the first 4 years of postsecondary education before 2023	Available for all years of postsecondary education and for courses to acquire or improve job skills
<b>Number of tax years credit available</b>	Available <b>ONLY</b> for 4 tax years per eligible student	Available for an unlimited number of tax years
<b>Type of program required</b>	Student must be pursuing a program leading to a degree or other recognized education credential	Student doesn't need to be pursuing a program leading to a degree or other recognized education credential
<b>Number of courses</b>	Student must be enrolled at least half-time for at least one academic period beginning during 2023 (or the first 3 months of 2024 if the qualified expenses were paid in 2023)	Available for one or more courses
<b>Felony drug conviction</b>	As of the end of 2023, the student had not been convicted of a felony for possessing or distributing a controlled substance	Felony drug convictions don't make the student ineligible
<b>Qualified expenses</b>	Tuition, required enrollment fees, and course materials that the student needs for a course of study whether or not the materials are bought at the educational institution as a condition of enrollment or attendance	Tuition and required enrollment fees (including amounts required to be paid to the institution for course-related books, supplies, and equipment)
<b>Payments for academic periods</b>	Payments made in 2023 for academic periods beginning in 2023 or beginning in the first 3 months of 2024	
<b>TIN needed by filing due date</b>	Filers and students must have been issued a TIN by the due date of their 2023 return (including extensions)	Students must have been issued a TIN by the due date of their 2023 return (including extensions)
<b>Educational institution's EIN</b>	You must provide the educational institution's employer identification number (EIN) on your Form 8863	Educational institution's employer identification number (EIN) is not required on your Form 8863

# Who Can Claim an Education Credit

You may be able to claim an education credit if you, your spouse, or a dependent you claim on your tax return was a student enrolled at or attending an eligible educational institution.

For 2023, the credits are based on the amount of adjusted qualified education expenses paid for the student in 2023 for academic periods beginning in 2023 or beginning in the first 3 months of 2024.





## Academic period.

An academic period is any quarter, semester, trimester, or any other period of study as reasonably determined by an eligible educational institution.

If an eligible educational institution uses credit hours or clock hours and doesn't have academic terms, each payment period may be treated as an academic period. For details, see *Academic period* in chapters 2 and 3 of Pub. 970.

## Who can claim a dependent's expenses.

If a student is claimed as a dependent on another person's tax return, all qualified education expenses of the student are treated as having been paid by that person.

Therefore, only that person can claim an education credit for the student. If a student isn't claimed as a dependent on another person's tax return, only the student can claim the credit.

# Expenses paid by a third party.

Qualified education expenses paid on behalf of the student by someone other than the student (such as a relative) are treated as paid by the student.

However, qualified education expenses paid (or treated as paid) by a student who is claimed as a dependent on your tax return are treated as paid by you.

Therefore, you're treated as having paid expenses that were paid by the third party.

For more information and an example, see *Who Can Claim a Dependent's Expenses* in Pub. 970, chapters 2 and 3.





# Who cannot claim a credit.

You cannot claim an education credit on a 2023 tax return if any of the following apply.

You're claimed as a dependent on another person's tax return, such as your parent's return.

Your filing status is married filing separately.

You (or your spouse) were a nonresident alien for any part of 2023 and didn't elect to be treated as a resident alien for tax purposes.

Your MAGI is \$180,000 or more if married filing jointly; or \$90,000 or more if single, head of household, or qualifying surviving spouse with dependent child.

The student has not been issued a TIN by the due date of their 2023 return (including extensions).

Generally, your MAGI is the amount on your Form 1040 or 1040-SR, line 11. However, if you're filing Form 2555, Foreign Earned Income; or Form 4563, Exclusion of Income for Bona Fide Residents of American Samoa; or are excluding income from Puerto Rico, add to the amount on your Form 1040 or 1040-SR, line 11, the amount of income you excluded. For details, see Pub. 970.





**Introduction** - For 2023, there are two tax credits available to help you offset the costs of higher education by reducing the amount of your income tax. They are the American opportunity credit (this chapter) and the lifetime learning credit (chapter 3). This chapter explains:



Who can claim the American opportunity credit,

What expenses qualify for the credit,

Who is an eligible student,

Who can claim a dependent's expenses,

How to figure the credit,

How to claim the credit, and

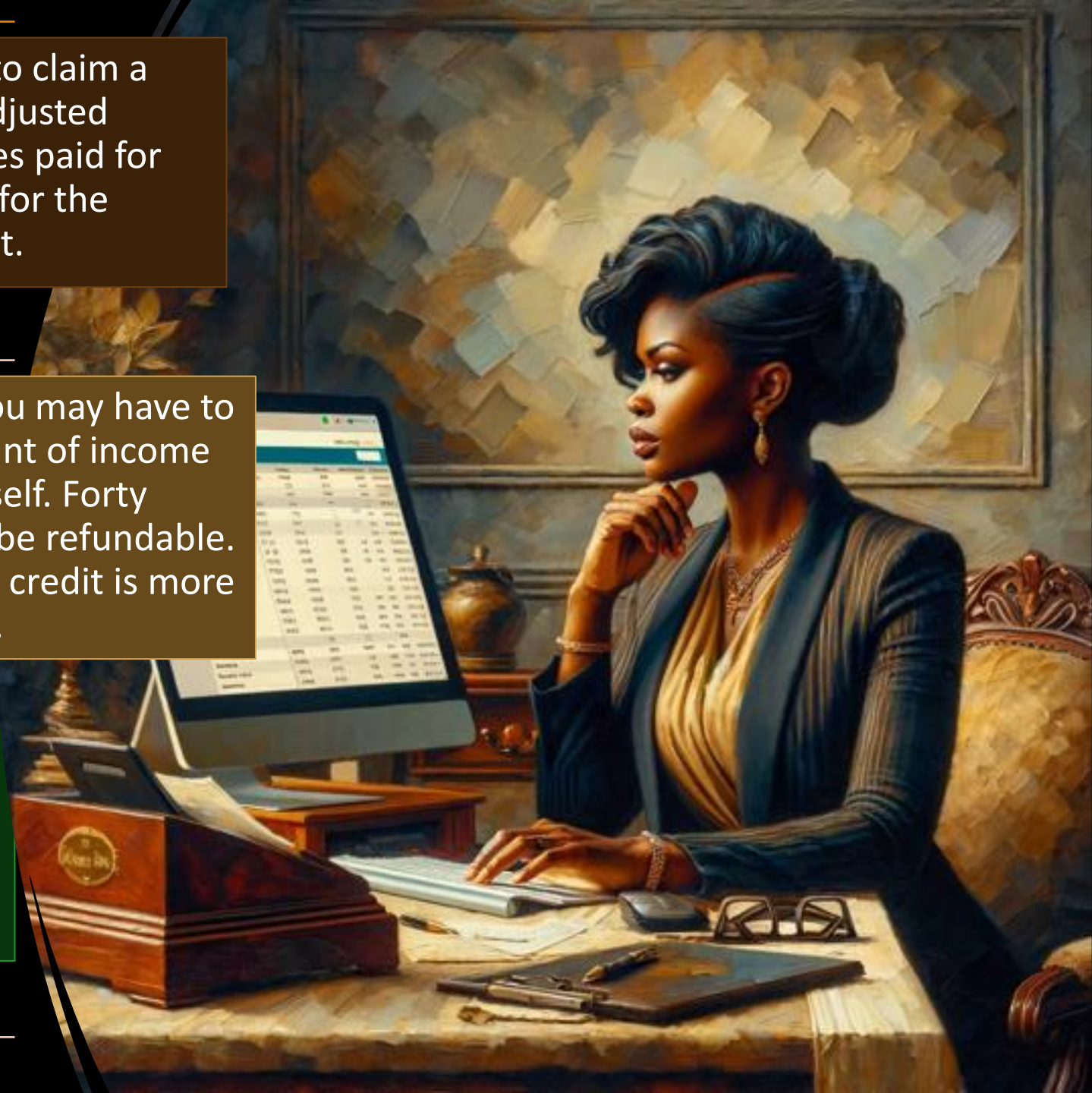
When the credit must be repaid.

## What is the tax benefit of the American opportunity credit?

For 2023, you may be able to claim a credit of up to \$2,500 for adjusted qualified education expenses paid for each student who qualifies for the American opportunity credit.

A tax credit reduces the amount of income tax you may have to pay. Unlike a deduction, which reduces the amount of income subject to tax, a credit directly reduces the tax itself. Forty percent of the American opportunity credit may be refundable. This means that if the refundable portion of your credit is more than your tax, the excess will be refunded to you.

Your allowable American opportunity credit may be limited by the amount of your income. Also, the nonrefundable part of the credit may be limited by the amount of your tax.





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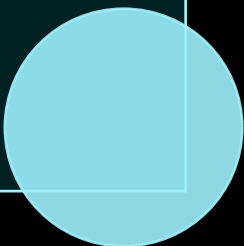
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See Table 2-1 for the basics of this credit. The details are discussed in this chapter.

Overview of the American opportunity credit for 2023.



# Can you claim more than one education credit this year?

For each student, you can elect for any year only one of the credits. For example, if you elect to claim the American opportunity credit for a dependent on your 2023 tax return, you can't use that same dependent's qualified education expenses to figure the lifetime learning credit for 2023.

If you pay qualified education expenses for more than one student in the same year, you can choose to claim the American opportunity credit on a per-student, per-year basis. If you pay qualified education expenses for a student (or students) for whom you don't claim the American opportunity credit, you can use the adjusted qualified education expenses of that student (or those students) in figuring your lifetime learning credit.

This means that, for example, you can claim the American opportunity credit for one student and the lifetime learning credit for another student in the same year.





# Differences between the American opportunity and lifetime learning credits.

There are several differences between these two credits. For example, you can claim the American opportunity credit based on the same student's expenses for no more than 4 tax years.

However, there is no limit on the number of years for which you can claim a lifetime learning credit based on the same student's expenses.

The differences between these credits are shown in the Appendix near the end of this publication.

# Tip

*If you claim the American opportunity credit for any student, you can choose between using that student's adjusted qualified education expenses for the American opportunity credit or the lifetime learning credit.*

*If you have the choice, the American opportunity credit will always be greater than the lifetime learning credit.*





## Form 8862 may be required.

- If your American opportunity credit was denied or reduced for any reason other than a math or clerical error for any tax year beginning after 2015, you must attach a completed Form 8862 to your tax return for the next tax year for which you claim the credit. See Form 8862 and its instructions for details.

**Table 2-1. Overview of the American Opportunity Credit for 2023**

<b>Maximum credit</b>	Up to \$2,500 credit per <b>eligible student</b>
<b>Limit on modified adjusted gross income (MAGI)</b>	\$180,000 if married filing jointly; \$90,000 if single, head of household, or qualifying surviving spouse
<b>Refundable or nonrefundable</b>	40% of credit may be refundable; the rest is nonrefundable
<b>Number of years of postsecondary education</b>	Available <b>ONLY</b> if the student had not completed the first 4 years of postsecondary education before 2023 (generally, the freshman through senior years, determined by the eligible educational institution, not including academic credit awarded solely because of the student's performance on proficiency examinations)
<b>Number of tax years credit available</b>	Available <b>ONLY</b> for 4 tax years per eligible student
<b>Type of program required</b>	Student must be pursuing a program leading to a degree or other recognized education credential
<b>Number of courses</b>	Student must be enrolled at least half-time for at least one academic period that begins during 2023 (or the first 3 months of 2024 if the qualified expenses were paid in 2023)
<b>Felony drug conviction</b>	As of the end of 2023, the student had not been convicted of a felony for possessing or distributing a controlled substance
<b>Qualified expenses</b>	Tuition, required enrollment fees, and course materials that the student needs for a course of study whether or not the materials are bought at the educational institution as a condition of enrollment or attendance
<b>Payments for academic periods</b>	Payments made in 2023 for academic periods beginning in 2023 or beginning in the first 3 months of 2024
<b>TIN needed by filing due date</b>	Filers and students must have been issued a TIN by the due date of their 2023 return (including extensions)
<b>Educational institution's EIN</b>	You must provide the educational institution's employer identification number (EIN) on your Form 8863





## Can You Claim the Credit?

- The following rules will help you determine if you are eligible to claim the American opportunity credit on your tax re-turn.

## Who Can Claim the Credit?

Generally, you can claim the American opportunity credit if all three of the following requirements are met.

You pay qualified education expenses of higher education.

You pay the education expenses for an eligible student.

The eligible student is either yourself, your spouse, or a dependent you claim on your tax return.





## Note.

Qualified education expenses paid by a dependent you claim on your tax return, or by a third party for that dependent, are considered paid by you.

## Student qualifications.

Generally, you can claim the American opportunity credit for a student only if **all** of the following four requirements are met.

As of the beginning of 2023, the student had not completed the first 4 years of postsecondary education (generally, the freshman through senior years of college), as determined by the eligible educational institution.

For this purpose, don't include academic credit awarded solely because of the student's performance on proficiency examinations.

The American opportunity credit has not been claimed by you or anyone else (see below) for this student for any 4 tax years before 2023.

If the American opportunity credit has been claimed for this student for any 3 or fewer tax years before 2023, this requirement is met.

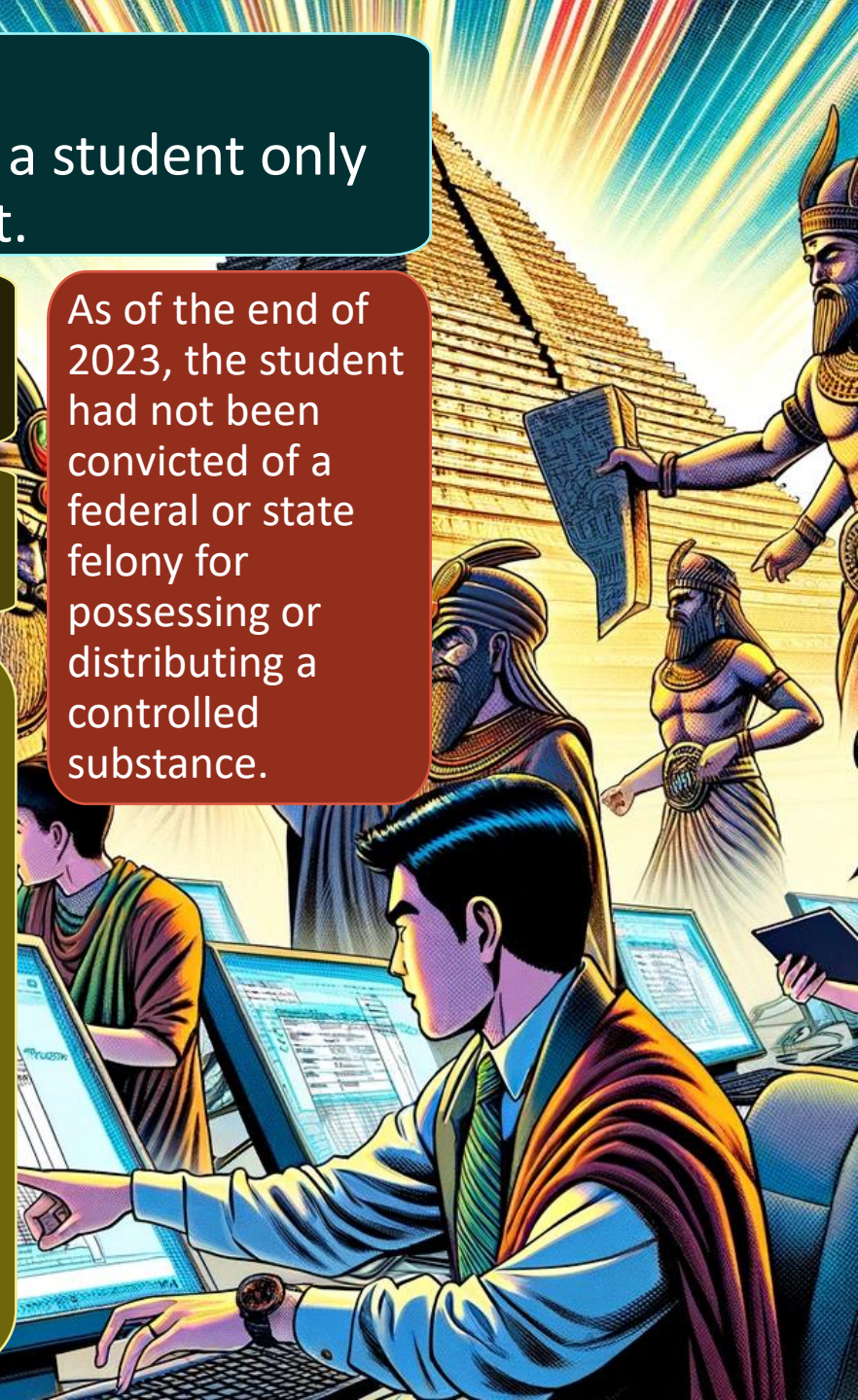
For at least one academic period beginning (or treated as beginning) in 2023, the student both:

Was enrolled in a program that leads to a degree, certificate, or other recognized educational credential; and

Carried at least one-half the normal full-time workload for their course of study. The standard for what is half of the normal full-time workload is determined by each eligible educational institution. However, the standard may not be lower than any of those established by the U.S. Department of Education under the Higher Education Act of 1965.

For 2023, treat an academic period beginning in the first 3 months of 2024 as if it began in 2023 if qualified education expenses for the student were paid in 2023 for that academic period. See *Prepaid expenses*, later.

As of the end of 2023, the student had not been convicted of a federal or state felony for possessing or distributing a controlled substance.



# Example 1.

Sharon was eligible for the American opportunity credit for 2017, 2018, 2020, and 2022.

Sharon's parents claimed the American opportunity credit for Sharon on their 2017, 2018, and 2020 tax returns.

Sharon claimed the American opportunity credit on her 2022 tax return.

The American opportunity credit has been claimed for Sharon for 4 tax years before 2023.

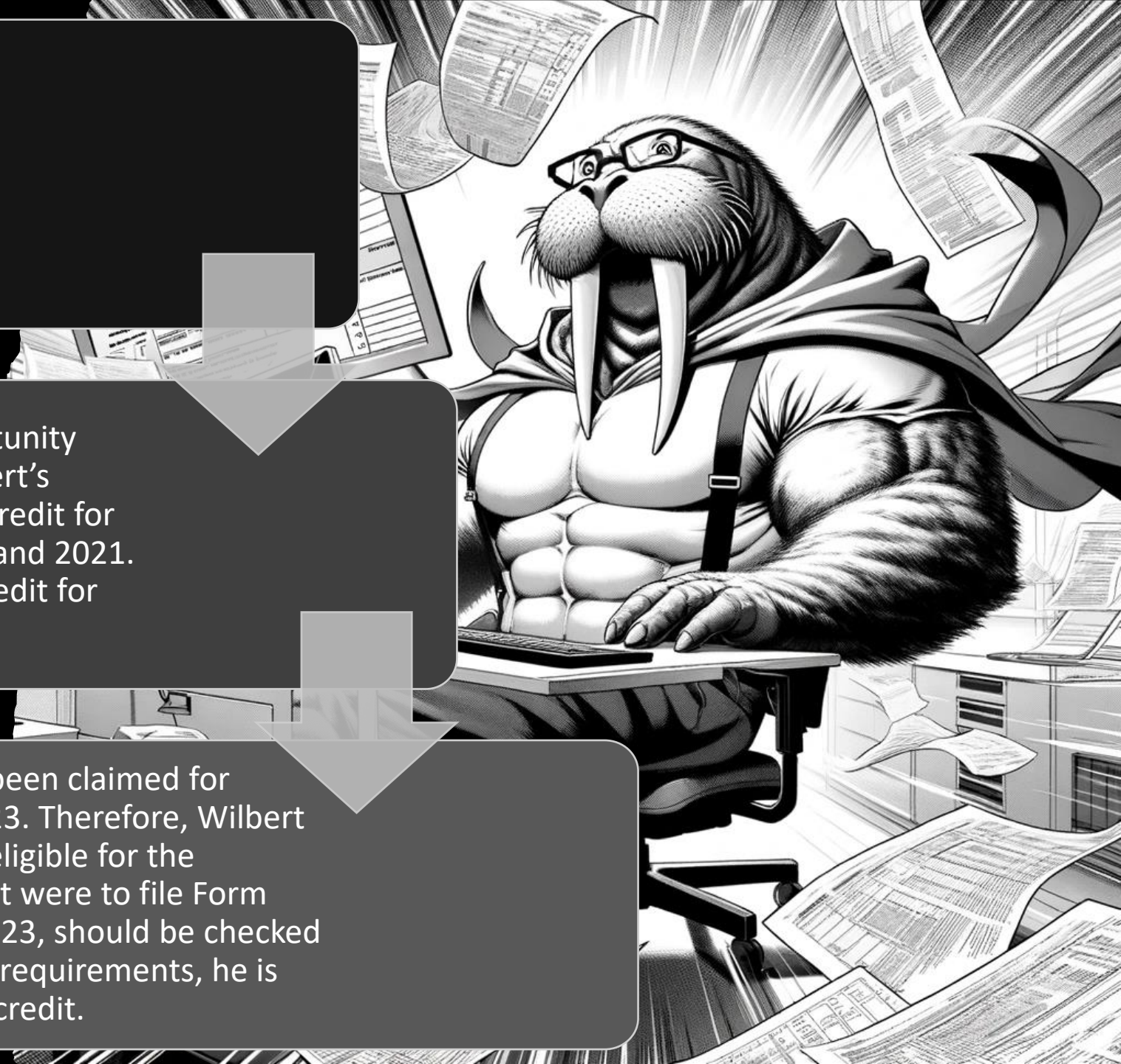
Therefore, the American opportunity credit **can't** be claimed for Sharon for 2023.

If Sharon were to file Form 8863 for 2023, the box on Part III, line 23, should be checked "Yes" and only the lifetime learning credit would be able to be claimed.

## *Example 2.*

Wilbert was eligible for the American opportunity credit for 2019, 2020, 2021, and 2023. Wilbert's parents claimed the American opportunity credit for Wilbert on their tax returns for 2019, 2020, and 2021. No one claimed an American opportunity credit for Wilbert for any other tax year.

The American opportunity credit has been claimed for Wilbert for only 3 tax years before 2023. Therefore, Wilbert meets the second requirement to be eligible for the American opportunity credit. If Wilbert were to file Form 8863 for 2023, the box on Part III, line 23, should be checked "No." If Wilbert meets all of the other requirements, he is eligible for the American opportunity credit.





## *Example 3.*

Glenda enrolls on a full-time basis in a degree program for the 2024 spring semester, which begins in January 2024. Glenda pays the tuition for the 2024 spring semester in December 2023.

Because the tuition Glenda paid in 2023 relates to an academic period that begins in the first 3 months of 2024, the eligibility to claim an American opportunity credit in 2023 is determined as if the 2024 spring semester began in 2023. Therefore, Glenda satisfies this third requirement.

*If the requirements above aren't met for any student, you can't claim the American opportunity credit for that student.*

*You may be able to claim the lifetime learning credit for part or all of that student's qualified education expenses instead.*

# Tip





## Who Can't Claim the Credit?

You can't claim the American opportunity credit for 2023 if any of the following apply.

Your filing status is married filing separately.

You are claimed as a dependent on another person's tax return, such as your parent's return. See *Who Can Claim a Dependent's Expenses*, later.

Your modified adjusted gross income (MAGI) is \$90,000 or more (\$180,000 or more if married filing jointly). MAGI is explained later under *Effect of the Amount of Your Income on the Amount of Your Credit*.

You (or your spouse) were a nonresident alien for any part of 2023 and the nonresident alien didn't elect to be treated as a resident alien for tax purposes. More information on nonresident aliens can be found in Pub. 519, U.S. Tax Guide for Aliens.

You weren't issued an SSN (or ITIN) by the due date of your 2023 return (including extensions). You can't claim the American opportunity credit on either your original or an amended 2023 return. Also, you can't claim this credit on your original or an amended 2023 return for a student who wasn't issued an SSN, ATIN, or ITIN by the due date of your return (including extensions).

If an ATIN or ITIN is applied for on or before the due date of a 2023 return (including extensions) and the IRS issues an ATIN or ITIN as a result of the application, the IRS will consider the ATIN or ITIN as issued on or before the due date of the return.

# What Expenses Qualify?

The American opportunity credit is based on adjusted qualified education expenses you pay for yourself, your spouse, or a dependent you claim on your tax return.

Generally, the credit is allowed for adjusted qualified education expenses paid in 2023 for an academic period beginning in 2023 or beginning in the first 3 months of 2024.

For example, if you paid \$1,500 in December 2023 for qualified tuition for the spring 2024 semester beginning January 2024, you can use that \$1,500 in figuring your 2023 credit.





# Academic period.

An academic period includes a semester, trimester, quarter, or other period of study (such as a summer school session) as reasonably determined by an educational institution.

If an educational institution uses credit hours or clock hours and doesn't have academic terms, each payment period can be treated as an academic period.

# Paid with borrowed funds.

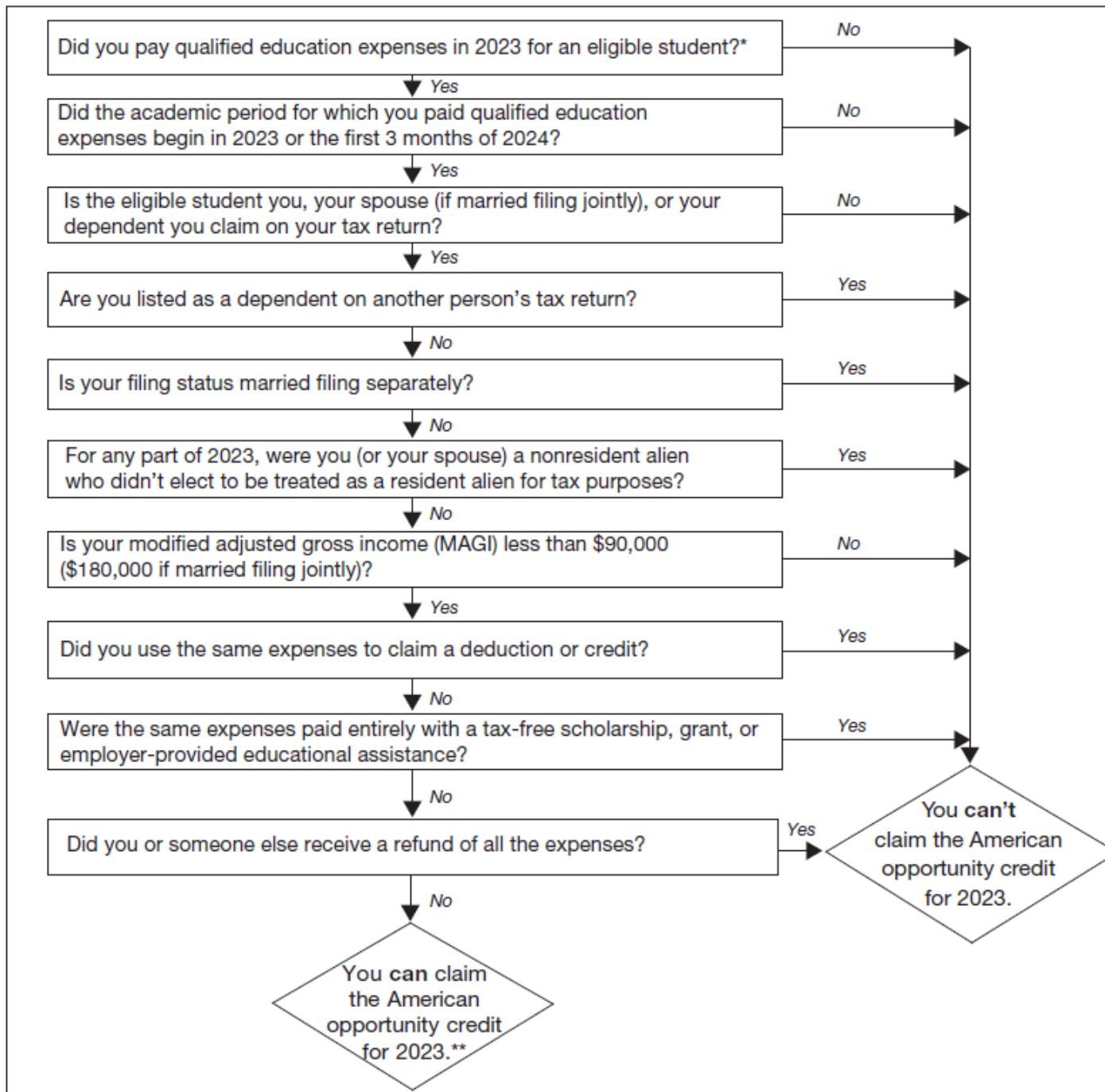
You can claim an American opportunity credit for qualified education expenses paid with the proceeds of a loan.

Use the expenses to figure the American opportunity credit for the year in which the expenses are paid, not the year in which the loan is re-paid.

Treat loan payments sent directly to the educational institution as paid on the date the institution credits the student's account.

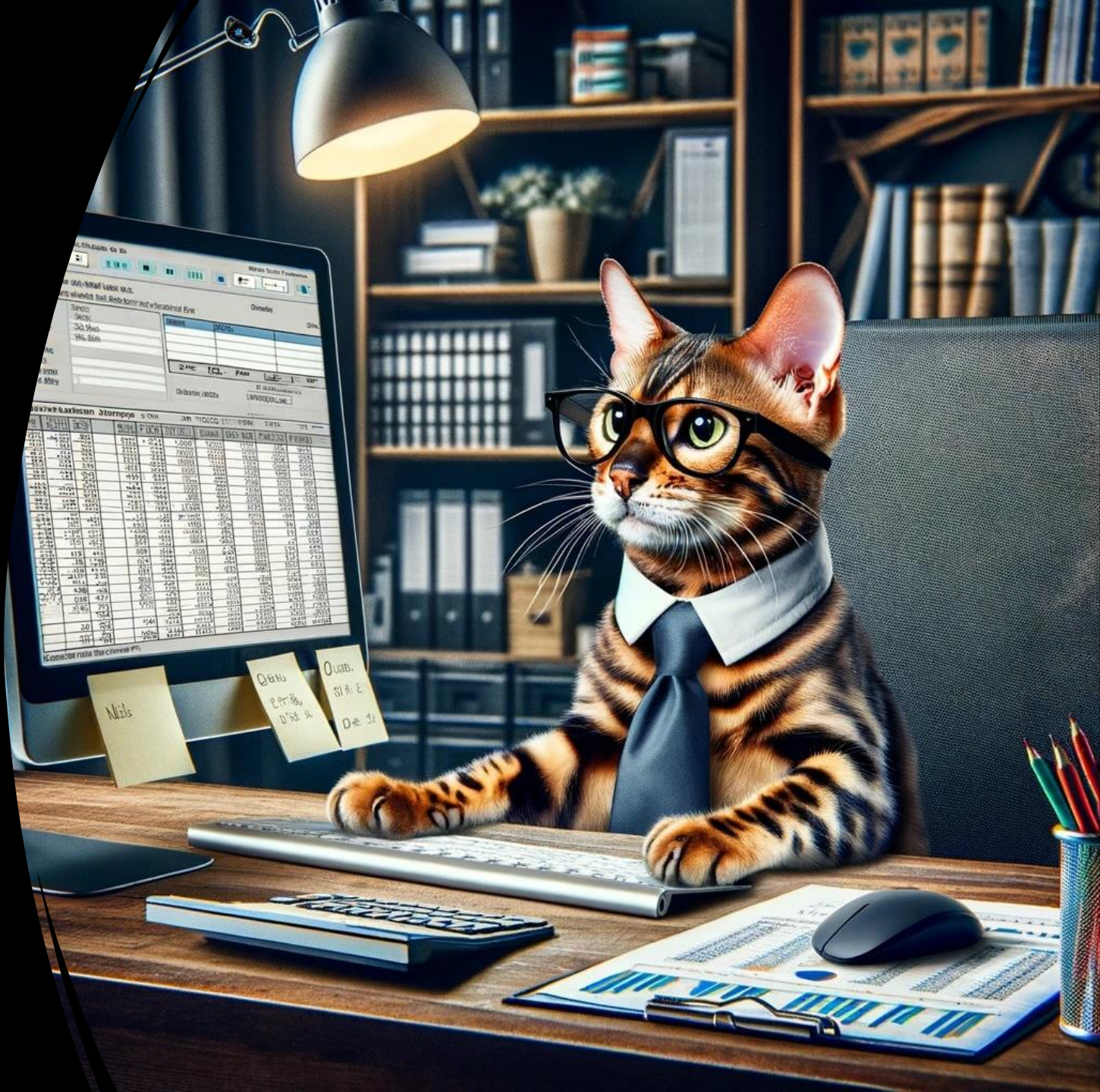


**Figure 2-1. Can You Claim the American Opportunity Credit for 2023?**



# Student withdraws from class(es).

- You can claim an American opportunity credit for qualified education expenses not refunded when a student withdraws.





## Qualified Education Expenses

- For purposes of the American opportunity credit, qualified education expenses are tuition and certain related expenses required for enrollment or attendance at an eligible educational institution.

# Eligible educational institution.

An eligible educational institution is any college, university, vocational school, or other postsecondary educational institution eligible to participate in a student aid program administered by the U.S. Department of Education.

Virtually all accredited public, nonprofit, and proprietary (privately owned profit-making) postsecondary institutions meet this definition.

An eligible educational institution also includes certain educational institutions located outside the United States that are eligible to participate in a student aid program administered by the U.S. Department of Education.



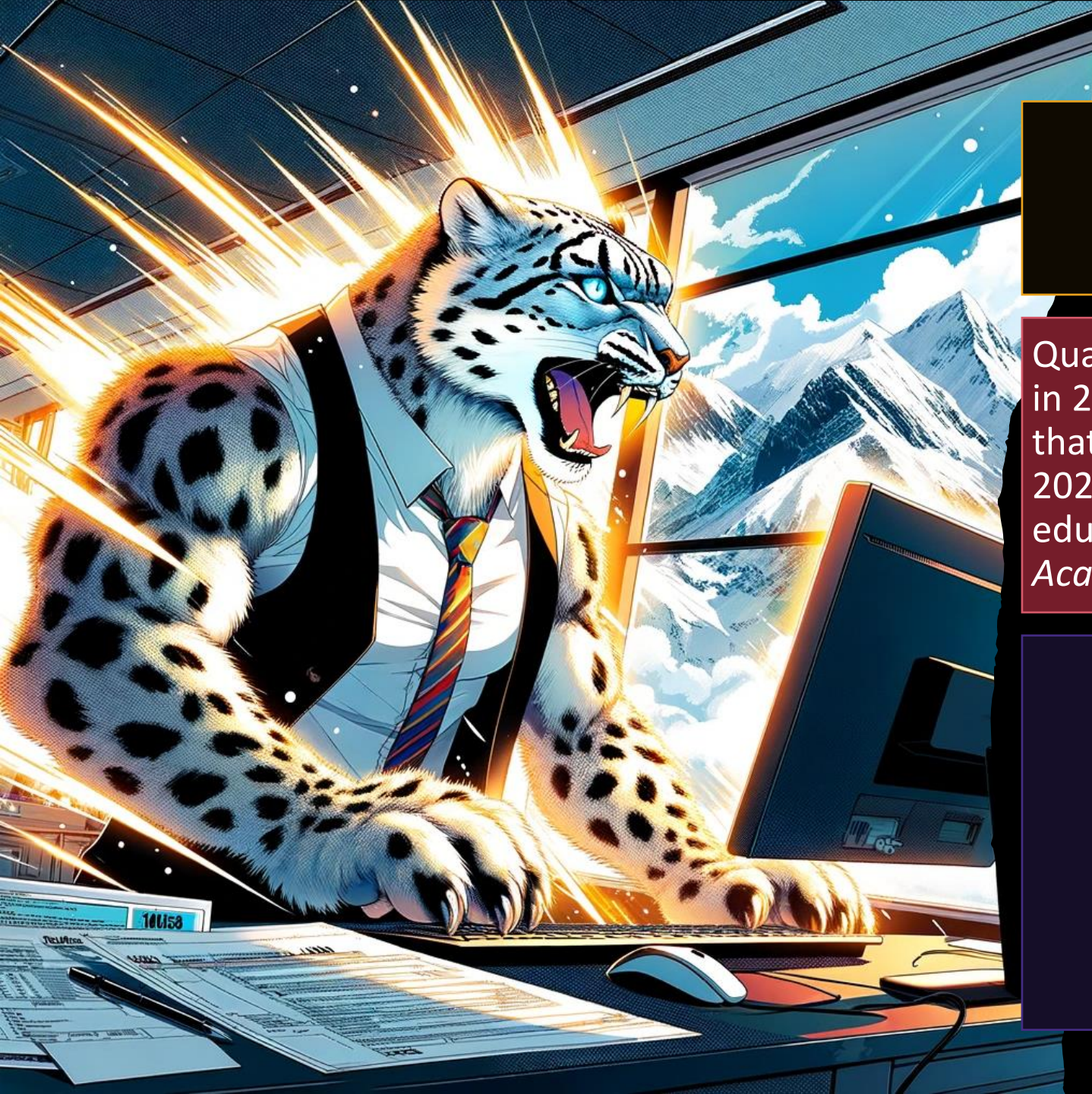




# Related expenses.

Student activity fees are included in qualified education expenses only if the fees must be paid to the institution as a condition of enrollment or attendance.

However, expenses for books, supplies, and equipment needed for a course of study are included in qualified education expenses whether or not the materials are purchased from the educational institution.



# Prepaid expenses.

Qualified education expenses paid in 2023 for an academic period that begins in the first 3 months of 2024 can be used in figuring an education credit for 2023 only. See *Academic period*, earlier.

For example, if you pay \$2,000 in December 2023 for qualified tuition for the 2024 winter quarter that begins in January 2024, you can use that \$2,000 in figuring an education credit for 2023 only (if you meet all the other requirements).

## Caution

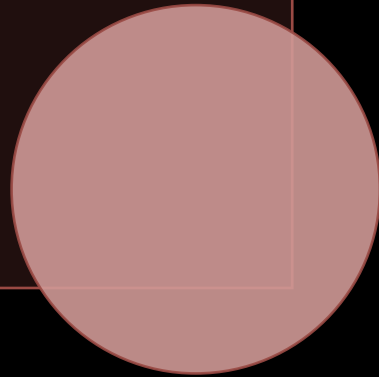
- *You can't use any amount you paid in 2022 or 2024 to figure the qualified education expenses you use to figure your 2023 education credit(s).*





- Jefferson is a sophomore in University V's degree program in dentistry. This year, in addition to tuition, there is a requirement to pay a fee to the university for the rental of the dental equipment used in this program.
- Because the equipment rental is needed for this course of study, Jefferson's equipment rental fee is a qualified expense.

## *Example* **1.**

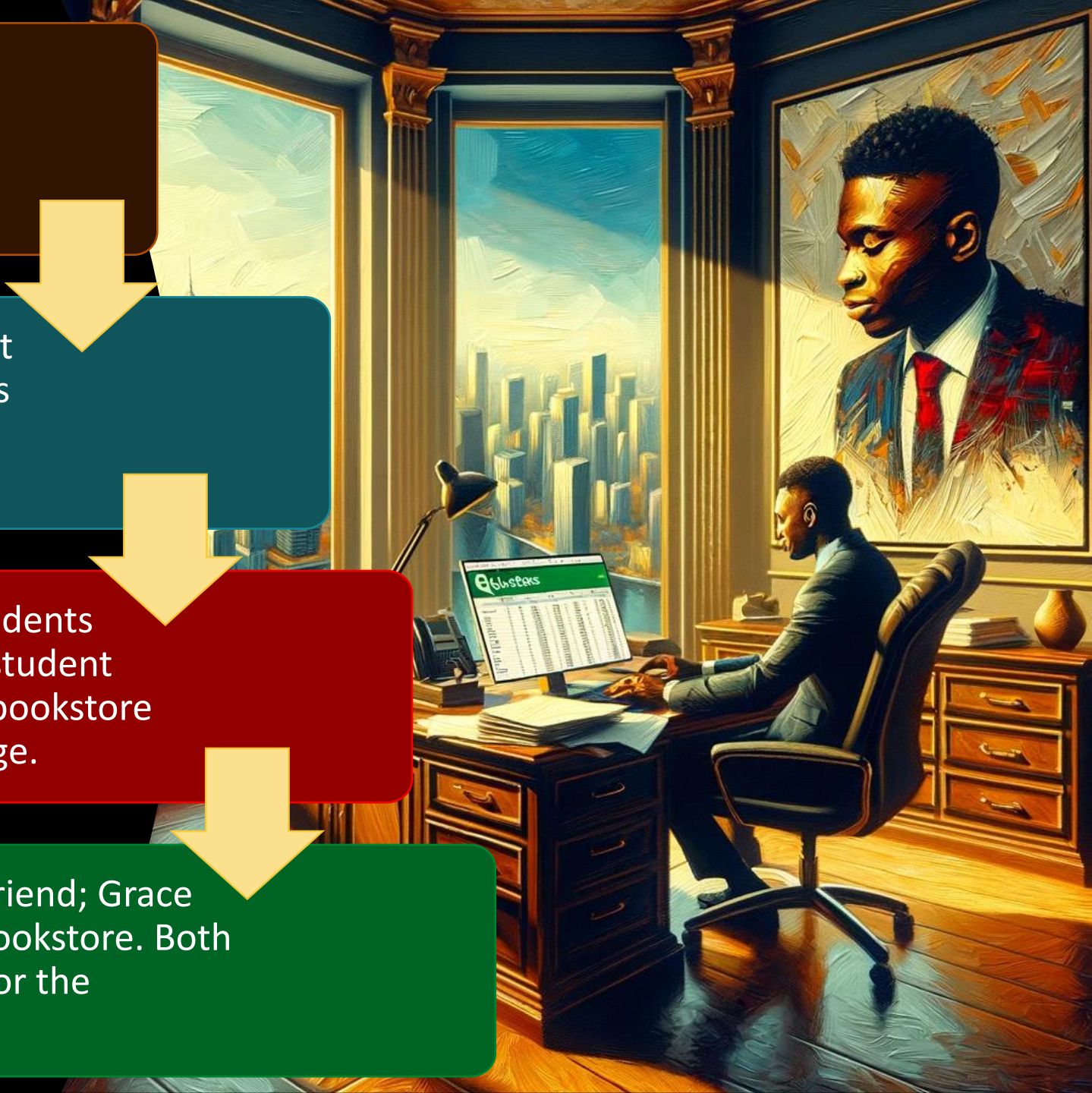


## Example 2.

Grace and William, both first-year students at College W, are required to have certain books and other reading materials to use in their mandatory first-year classes.

The college has no policy about how students should obtain these materials, but any student who purchases them from College W's bookstore will receive a bill directly from the college.

William bought the books from a friend; Grace bought the books at College W's bookstore. Both are qualified education expenses for the American opportunity credit.





### Example 3.

When Kelly enrolled at College X for the freshman year, the school required payment of a separate student activity fee in addition to the tuition.

This activity fee is required of all students, and is used solely to fund on-campus organizations and activities run by students, such as the student newspaper and the student government.

No portion of the fee covers personal expenses. Although labeled as a student activity fee, the fee is required for Kelly's enrollment and attendance at College X and is a qualified expense.

## No Double Benefit Allowed - You can't do any of the following.

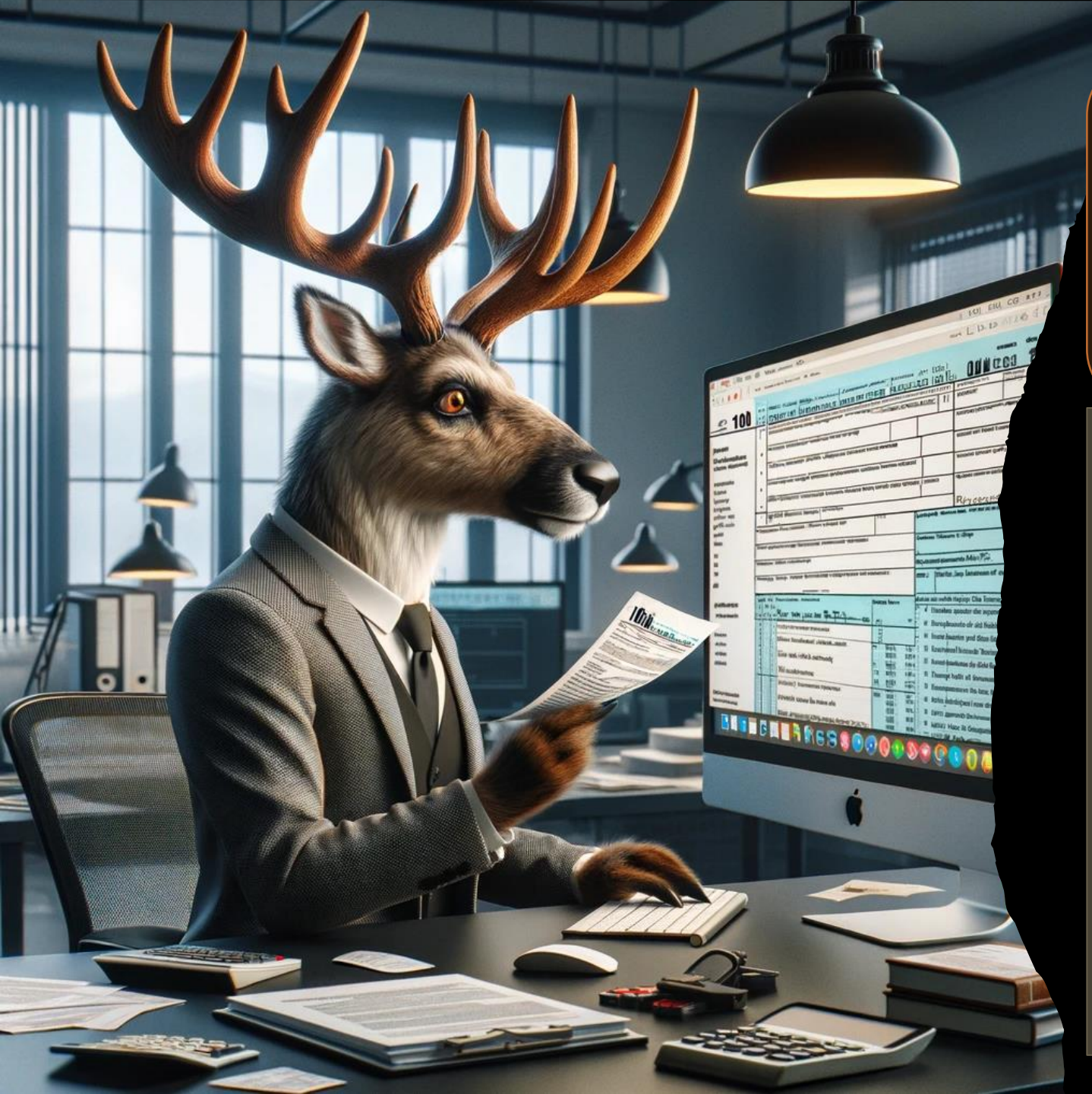
Deduct higher education expenses on your income tax return (as, for example, a business expense) and also claim an American opportunity credit based on those same expenses.

Claim an American opportunity credit for any student and use any of that student's expenses in figuring your lifetime learning credit.

Figure the tax-free portion of a distribution from a Coverdell education savings account (ESA) or qualified tuition program (QTP) using the same expenses you used to figure the American opportunity credit. See *Coordination With American Opportunity and Lifetime Learning Credits* in chapter 6 and *Coordination With American Opportunity and Lifetime Learning Credits* in chapter 7.

Claim a credit based on qualified education expenses paid with tax-free educational assistance, such as a scholarship, grant, or assistance provided by an employer. See *Adjustments to Qualified Education Expenses* next.





# Adjustments to Qualified Education Expenses

- For each student, reduce the qualified education expenses paid by or on behalf of that student under the following rules.
- The result is the amount of adjusted qualified education expenses for each student.



## Tax-free educational assistance.

For tax-free educational assistance received in 2023, reduce the qualified educational expenses for each academic period by the amount of tax-free educational assistance allocable to that academic period. See *Academic period*, earlier.

Some tax-free educational assistance received after 2023 may be treated as a refund of qualified education expenses paid in 2023. This tax-free educational assistance is any tax-free educational assistance received by you or anyone else after 2023 for qualified education expenses paid on behalf of a student in 2023 (or attributable to enrollment at an eligible educational institution during 2023).

If this tax-free educational assistance is received after 2023 but before you file your 2023 income tax return, see *Refunds received after 2023 but before your income tax return is filed*, later. If this tax-free educational assistance is received after 2023 and after you file your 2023 income tax return, see *Refunds received after 2023 and after your income tax return is filed*, later.





# Tax-free educational assistance includes:

The tax-free parts of scholarships and fellowship grants (see *Tax-Free Scholarships and Fellowship Grants* in chapter 1);

The tax-free part of Pell grants (see *Pell Grants and Other Title IV Need-Based Education Grants* in chapter 1);

Employer-provided educational assistance (see chapter 10);

Veterans' educational assistance (see *Veterans' Benefits* in chapter 1); and

Any other nontaxable (tax-free) payments (other than gifts or inheritances) received as educational assistance.

Generally, any scholarship or fellowship grant is treated as tax free. However, a scholarship or fellowship grant isn't treated as tax free to the extent the student includes it in gross income (the student may or may not be required to file a tax return for the year the scholarship or fellowship grant is received) and either of the following is true.

The scholarship or fellowship grant (or any part of it) **must** be applied (by its terms) to expenses (such as room and board) other than qualified education expenses as defined in *Qualified education expenses* in chapter 1.

The scholarship or fellowship grant (or any part of it) **may** be applied (by its terms) to expenses (such as room and board) other than qualified education expenses as defined in *Qualified education expenses* in chapter 1.





# Caution

- A student can't choose to include in income a scholarship or fellowship grant provided by an Indian tribal government that is excluded from income under the Tribal General Welfare Exclusion Act of 2014 or benefits provided by an educational program de-scribed in Revenue Procedure 2014-35, section 5.02(2)(b)(ii), available at [IRS.gov/irb/2014-26\\_IRB#RP-2014-35](https://www.irs.gov/irb/2014-26_IRB#RP-2014-35).

# Tip

- *You may be able to increase the combined value of an education credit if the student includes some or all of a scholarship or fellowship grant in income in the year it is received.*
- *For examples, see Coordination with Pell grants and other scholarships, later.*





## Refunds.

A refund of qualified education expenses may reduce adjusted qualified education expenses for the tax year or require repayment (recapture) of a credit claimed in an earlier year.

Some tax-free educational assistance received after 2023 may be treated as a refund. See *Tax-free educational assistance*, earlier.

## *Refunds received in 2023.*

For each student, figure the adjusted qualified education expenses for 2023 by adding all the qualified education expenses for 2023 and subtracting any refunds of those expenses received from the eligible educational institution during 2023.

## *Refunds received after 2023 but before your in-come tax return is filed.*

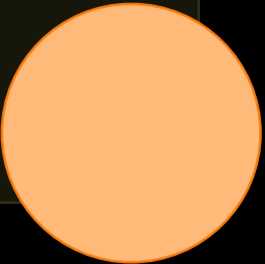
If anyone receives a refund after 2023 of qualified education expenses paid on behalf of a student in 2023 and the refund is paid before you file an income tax return for 2023, the amount of qualified education expenses for 2023 is reduced by the amount of the re-fund.





- If anyone receives a refund after 2023 of qualified education expenses paid on behalf of a student in 2023 and the refund is paid after you file an income tax return for 2023, you may need to repay some or all of the credit. See *Credit recapture* next.

***Refunds received after 2023 and after your income tax return is filed.***



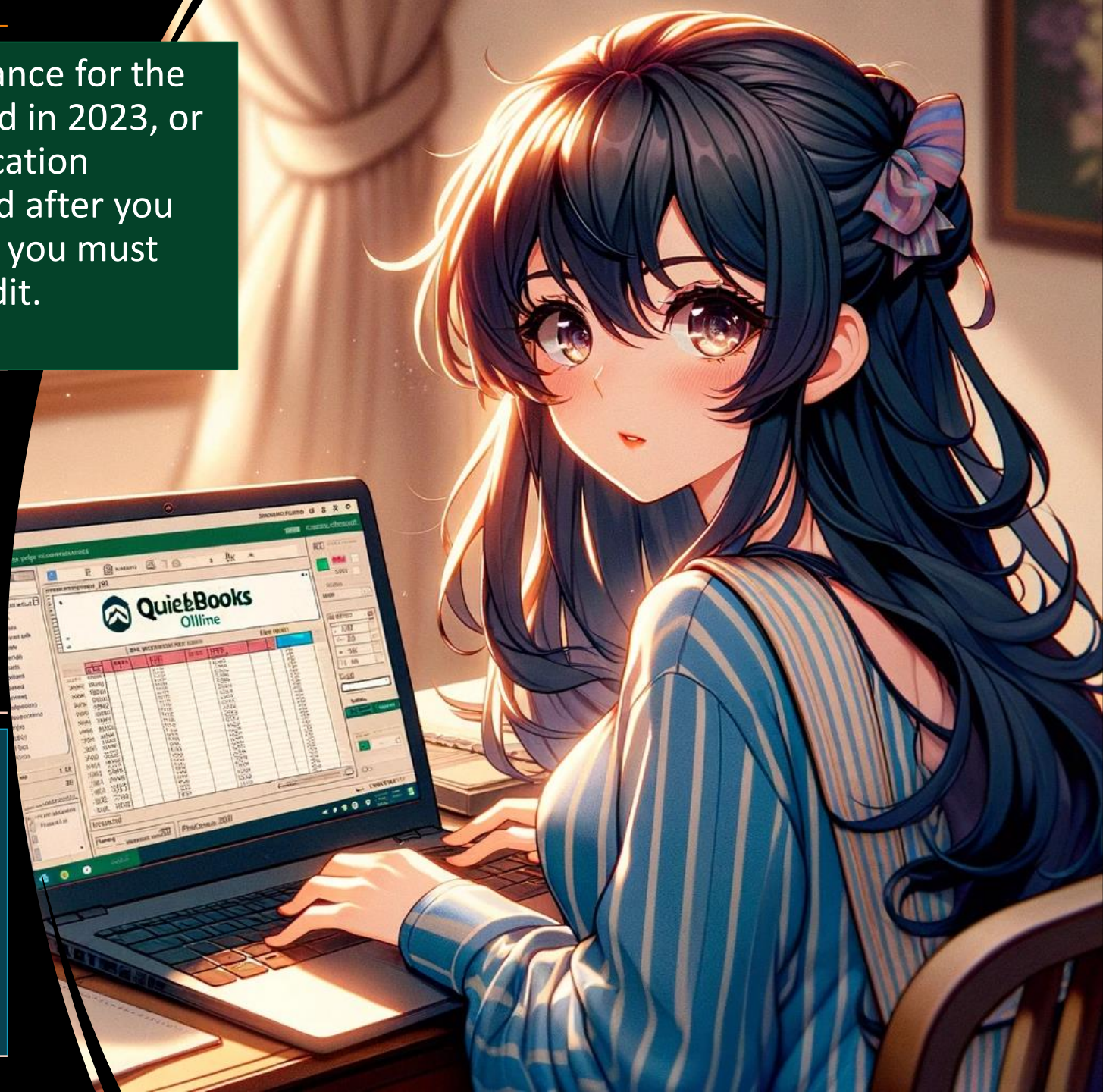


## Credit recapture.

If any tax-free educational assistance for the qualified education expenses paid in 2023, or any refund of your qualified education expenses paid in 2023, is received after you file your 2023 income tax return, you must recapture (repay) any excess credit.

You do this by refiguring the amount of your adjusted qualified education expenses for 2023 by reducing the expenses by the amount of the refund or tax-free educational assistance.

You then refigure your education credit(s) for 2023 and figure the amount by which your 2023 tax liability would have increased if you claimed the refigured credit(s). Include that amount as an additional tax for the year the refund or tax-free assistance was received.





# *Example.*

You paid \$7,000 tuition and fees in August 2023, and your child began college in September 2023. You filed your 2023 tax return on February 17, 2024, and claimed an American opportunity credit of \$2,500. After you filed your return, you received a refund of \$4,000.

You must refigure your 2023 American opportunity credit using \$3,000 of qualified education expenses instead of \$7,000. The refigured credit is \$2,250. The increase to your tax liability is \$250.

Include the difference of \$250 as additional tax on your 2024 tax return. See the instructions for your 2024 income tax return to determine where to include this tax.

## Tip

- *If you pay qualified education expenses in both 2023 and 2024 for an academic period that begins in the first 3 months of 2024 and you receive tax-free educational assistance, or a refund, as described above, you may choose to reduce your qualified education expenses for 2024 instead of reducing your expenses for 2023.*



## Amounts that don't reduce qualified education expenses.

Don't reduce qualified education expenses by amounts paid with funds the student receives as:

Payment for services,  
such as wages;

A loan;

A gift;

An  
inheritance; or

A withdrawal from the  
student's personal savings.



Don't reduce the qualified education expenses by any scholarship or fellowship grant reported as income on the student's tax return in the following situations.

The use of the money is restricted, by the terms of the scholarship or fellowship grant, to costs of attendance (such as room and board) other than qualified education expenses as defined in *Qualified education expenses* in chapter 1.

The use of the money isn't restricted.





### Example 1.

Joan paid \$3,000 for tuition and \$5,000 for room and board at University X. The university did not require payment of any fees in addition to the tuition in order to enroll in or attend classes. To help pay these costs, Joan was awarded a \$2,000 scholarship and a \$4,000 student loan. The terms of the scholarship state that it can be used to pay any of Joan's college expenses.

University X applies the \$2,000 scholarship against Joan's \$8,000 total bill, and Joan pays the \$6,000 balance of the bill from University X with a combination of the student loan and personal savings. Joan doesn't report any portion of the scholarship as income on the tax return.

In figuring the amount of either education credit (American opportunity or lifetime learning), Joan must reduce the qualified education expenses by the amount of the scholarship (\$2,000) because the entire scholarship was excluded from the reported income on Joan's tax return.

The student loan isn't tax-free educational assistance, so the qualified expenses don't need to be reduced by any part of the loan proceeds. Joan is treated as having paid \$1,000 in qualified education expenses (\$3,000 tuition – \$2,000 scholarship).

# Example 2.

The facts are the same as in *Example 1*, except that Joan reports the entire scholarship as income on the tax return. Because Joan reported the entire \$2,000 scholarship as income, the qualified education expenses don't need to be reduced. Joan is treated as having paid \$3,000 in qualified education expenses.



## Coordination with Pell grants and other scholarships.

You may be able to increase your American opportunity credit when the student (you, your spouse, or your dependent) includes certain scholarships or fellowship grants in the student's gross income. Your credit may increase only if the amount of the student's qualified education expenses minus the total amount of scholarships and fellowship grants is less than \$4,000.

If this situation applies, consider including some or all of the scholarship or fellowship grant in the student's income in order to treat the included amount as paying nonqualified expenses instead of qualified education expenses. Nonqualified expenses are expenses such as room and board that aren't qualified education expenses such as tuition and related fees.

Scholarships and fellowship grants that the student includes in income don't reduce the student's qualified education expenses available to figure your American opportunity credit. Thus, including enough scholarship or fellowship grant in the student's income to report up to \$4,000 in qualified education expenses for your American opportunity credit may increase the credit by enough to increase your tax refund or reduce the amount of tax you owe even considering any increased tax liability from the additional income.

However, the increase in tax liability as well as the loss of other tax credits may be greater than the additional American opportunity credit and may cause your tax refund to decrease or the amount of tax you owe to increase. Your specific circumstances will determine what amount, if any, of scholarship or fellowship grant to include in income to maximize your tax refund or minimize the amount of tax you owe.

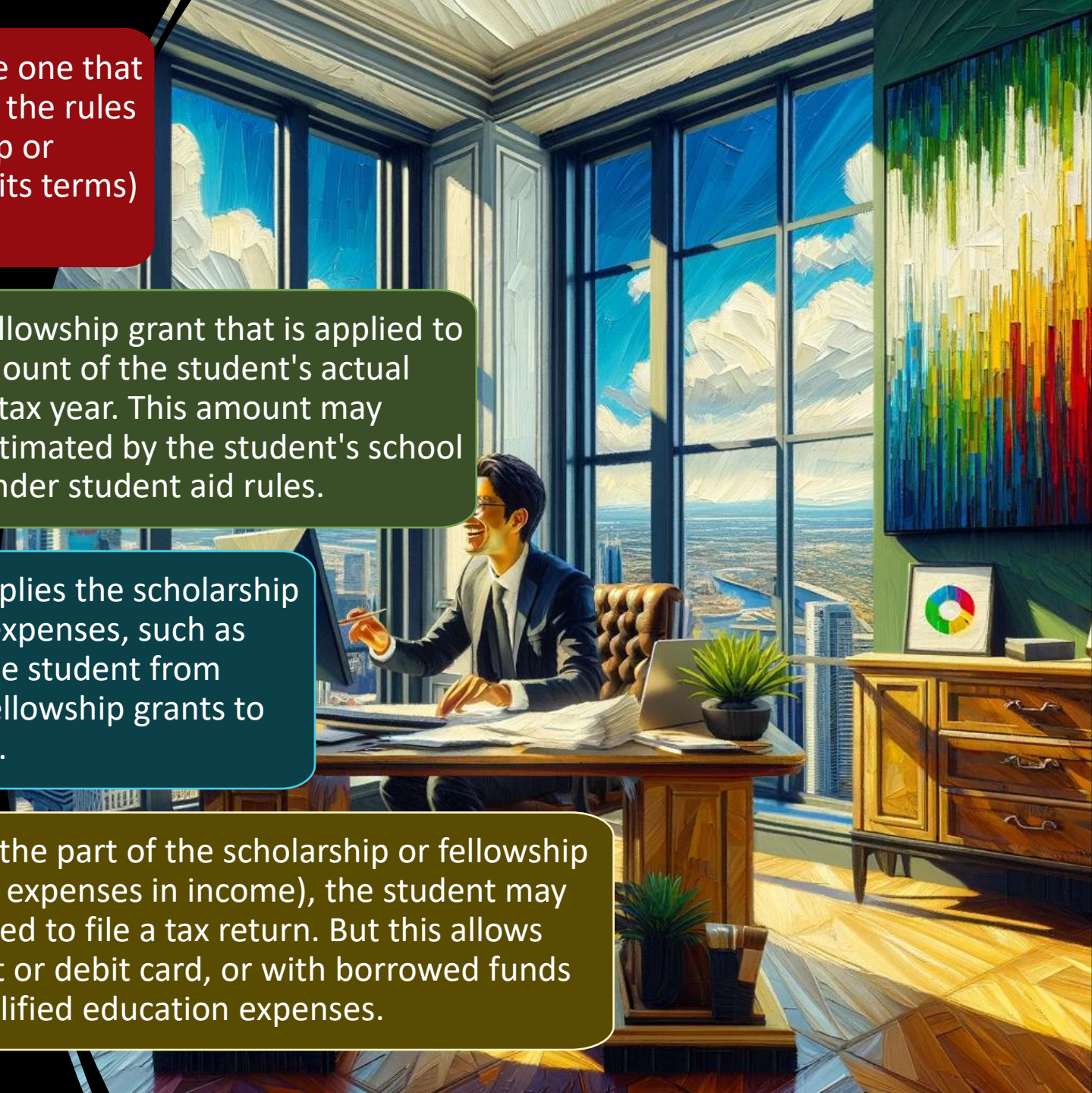


The scholarship or fellowship grant must be one that may qualify as a tax-free scholarship under the rules discussed in chapter 1. Also, the scholarship or fellowship grant must be one that may (by its terms) be used for nonqualified expenses.

Finally, the amount of the scholarship or fellowship grant that is applied to nonqualified expenses can't exceed the amount of the student's actual nonqualified expenses that are paid in the tax year. This amount may differ from the student's living expenses estimated by the student's school in figuring the official cost of attendance under student aid rules.

The fact that the educational institution applies the scholarship or fellowship grant to qualified education expenses, such as tuition and related fees, doesn't prevent the student from choosing to apply certain scholarships or fellowship grants to the student's actual nonqualified expenses.

By making this choice (that is, by including the part of the scholarship or fellowship grant applied to the student's nonqualified expenses in income), the student may increase taxable income and may be required to file a tax return. But this allows payments made in cash, by check, by credit or debit card, or with borrowed funds such as a student loan to be applied to qualified education expenses.





## Example 1—No scholarship.

Bill, age 28 and unmarried, enrolled full-time in 2023 as a first-year student at a local college to earn a degree in law enforcement. This was Bill's first year of postsecondary education.

During 2023, Bill paid \$5,600 for qualified education expenses and \$4,400 for room and board for the fall 2023 semester. Bill and the college meet all the requirements for the American opportunity credit.

Bill's adjusted gross income (AGI) and MAGI, for purposes of figuring the credit, are \$37,350. Bill claims the standard deduction of \$13,850, resulting in taxable income of \$23,500 and an income tax liability before credits of \$2,603. Bill claims no credits other than the American opportunity credit.

Bill figures the American opportunity credit based on qualified education expenses of \$4,000, which results in a credit of \$2,500 and a tax liability after credits of \$103 ( $\$2,603 - \$2,500$ ).

## Example 2—Scholarship excluded from income.

The facts are the same as in *Example 1—No scholarship*, except that Bill was awarded a \$5,600 scholarship.

Under the terms of the scholarship, it may be used to pay any educational expenses, including room and board.

If Bill excludes the scholarship from income, it will be deemed (for purposes of figuring the education credit) to have been applied to pay tuition, required fees, and course materials.

Bill's adjusted qualified education expenses would be zero and there would be no education credit.

Therefore, Bill's tax liability after credits would be \$2,603.





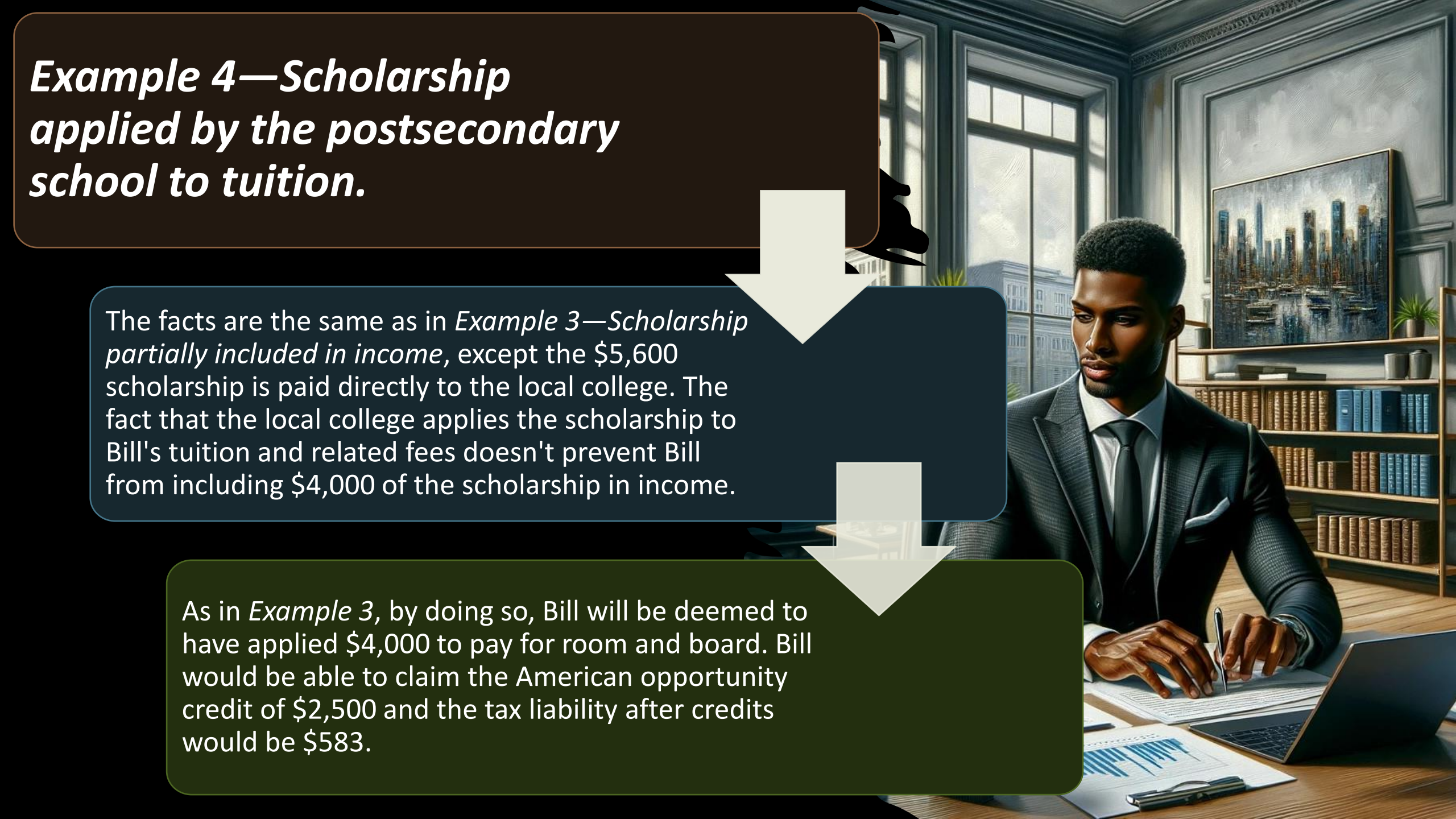
## ***Example 3—Scholarship partially included in income.***

The facts are the same as in *Example 2—Scholarship excluded from income*. If, unlike *Example 2*, Bill includes \$4,000 of the scholarship in income, the \$4,000 will be deemed to have been applied to pay for room and board.

The remaining \$1,600 of the \$5,600 scholarship would reduce the qualified education expenses, and the adjusted qualified education expenses would be \$4,000.

Bill's AGI and MAGI would increase to \$41,350, the taxable income would increase to \$27,500, and the tax liability before credits would increase to \$3,083.

Based on the adjusted qualified education expenses of \$4,000, Bill would be able to claim an American opportunity credit of \$2,500 and the tax liability after credits would be \$583 (\$3,083 – \$2,500).



***Example 4—Scholarship applied by the postsecondary school to tuition.***

The facts are the same as in *Example 3—Scholarship partially included in income*, except the \$5,600 scholarship is paid directly to the local college. The fact that the local college applies the scholarship to Bill's tuition and related fees doesn't prevent Bill from including \$4,000 of the scholarship in income.

As in *Example 3*, by doing so, Bill will be deemed to have applied \$4,000 to pay for room and board. Bill would be able to claim the American opportunity credit of \$2,500 and the tax liability after credits would be \$583.



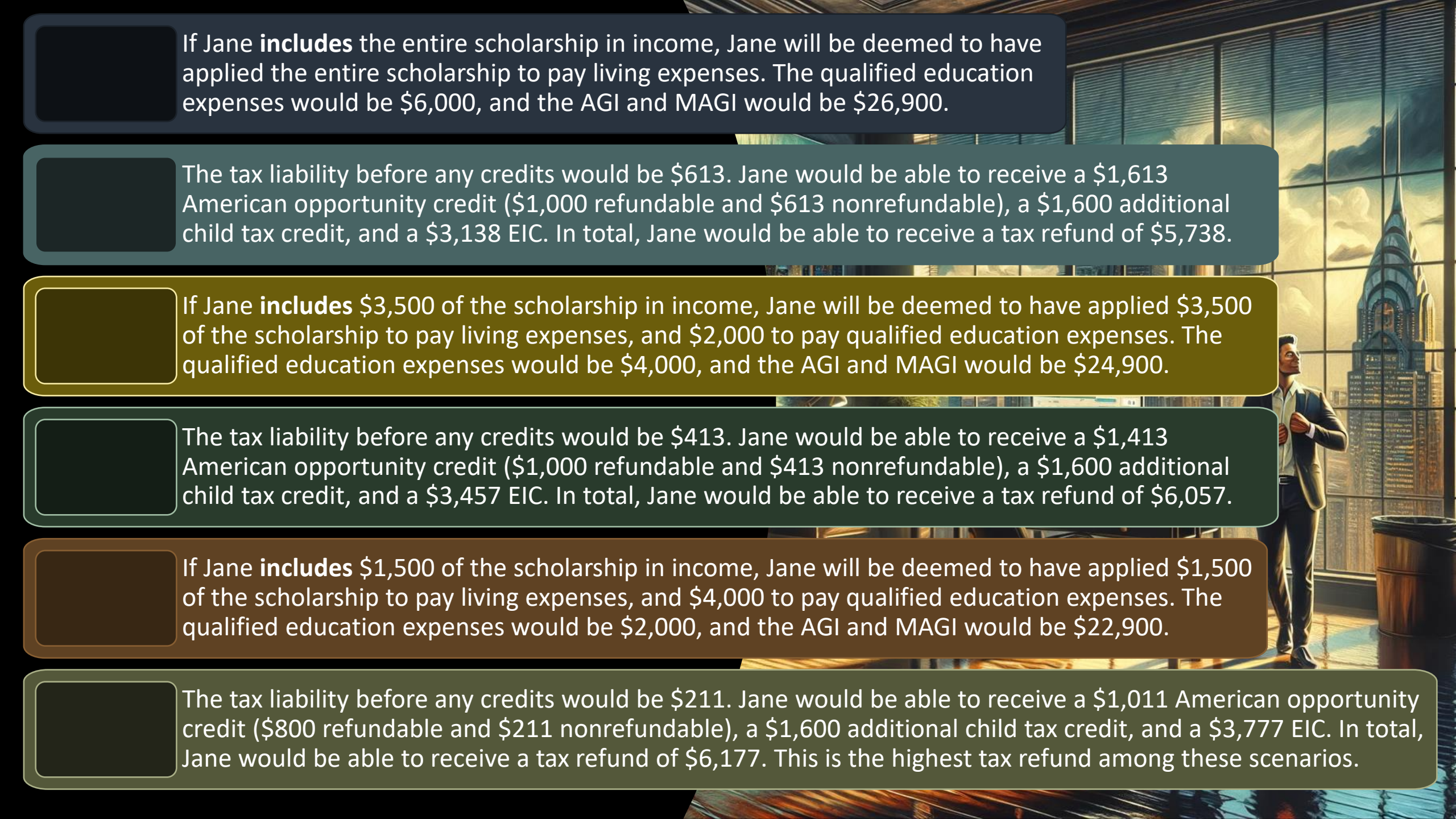
**Example 5—Student  
with a dependent child.**

Jane, age 28 and unmarried, enrolled full-time as a first-year student at a local technical college to get a certificate as a computer technician. This was Jane's first year of postsecondary education. During 2023, Jane paid \$6,000 for qualified education expenses. Jane and the college meet all the requirements for the American opportunity credit.

Jane has a dependent child, age 10, who is a qualifying child for purposes of receiving the earned income credit (EIC) and the child tax credit. Jane's wages are \$21,400. Jane withheld no income taxes on these wages and has no other income or adjustments. Jane was awarded a \$5,500 scholarship. Under the terms of the scholarship, it may be used to pay tuition and any living expense, including rent. Jane paid \$10,000 in living expenses in 2023.

If Jane **excludes** the entire scholarship from income, Jane will be deemed to have applied the entire scholarship to pay qualified education expenses. The AGI and MAGI would be \$21,400. The tax liability before any credits would be \$61. The qualified education expenses would be reduced to \$500.

Jane would be able to receive a \$261 American opportunity credit (\$200 refundable and \$61 nonrefundable), a \$1,600 additional child tax credit, and a \$3,995 EIC. In total, Jane would be able to receive a tax refund of \$5,795.



If Jane **includes** the entire scholarship in income, Jane will be deemed to have applied the entire scholarship to pay living expenses. The qualified education expenses would be \$6,000, and the AGI and MAGI would be \$26,900.

The tax liability before any credits would be \$613. Jane would be able to receive a \$1,613 American opportunity credit (\$1,000 refundable and \$613 nonrefundable), a \$1,600 additional child tax credit, and a \$3,138 EIC. In total, Jane would be able to receive a tax refund of \$5,738.

If Jane **includes** \$3,500 of the scholarship in income, Jane will be deemed to have applied \$3,500 of the scholarship to pay living expenses, and \$2,000 to pay qualified education expenses. The qualified education expenses would be \$4,000, and the AGI and MAGI would be \$24,900.

The tax liability before any credits would be \$413. Jane would be able to receive a \$1,413 American opportunity credit (\$1,000 refundable and \$413 nonrefundable), a \$1,600 additional child tax credit, and a \$3,457 EIC. In total, Jane would be able to receive a tax refund of \$6,057.

If Jane **includes** \$1,500 of the scholarship in income, Jane will be deemed to have applied \$1,500 of the scholarship to pay living expenses, and \$4,000 to pay qualified education expenses. The qualified education expenses would be \$2,000, and the AGI and MAGI would be \$22,900.

The tax liability before any credits would be \$211. Jane would be able to receive a \$1,011 American opportunity credit (\$800 refundable and \$211 nonrefundable), a \$1,600 additional child tax credit, and a \$3,777 EIC. In total, Jane would be able to receive a tax refund of \$6,177. This is the highest tax refund among these scenarios.



- If Jane includes \$1,500 of the scholarship in income, Jane will be deemed to have applied \$1,500 of the scholarship to pay living expenses, and \$4,000 to pay qualified education expenses.
- The qualified education expenses would be \$2,000, and the AGI and MAGI would be \$22,900. The tax liability before any credits would be \$211.

- Jane would be able to receive a \$1,011 American opportunity credit (\$800 refundable and \$211 nonrefundable), a \$1,600 additional child tax credit, and a \$3,777 EIC.
- In total, Jane would be able to receive a tax refund of \$6,177. This is the highest tax refund among these scenarios.

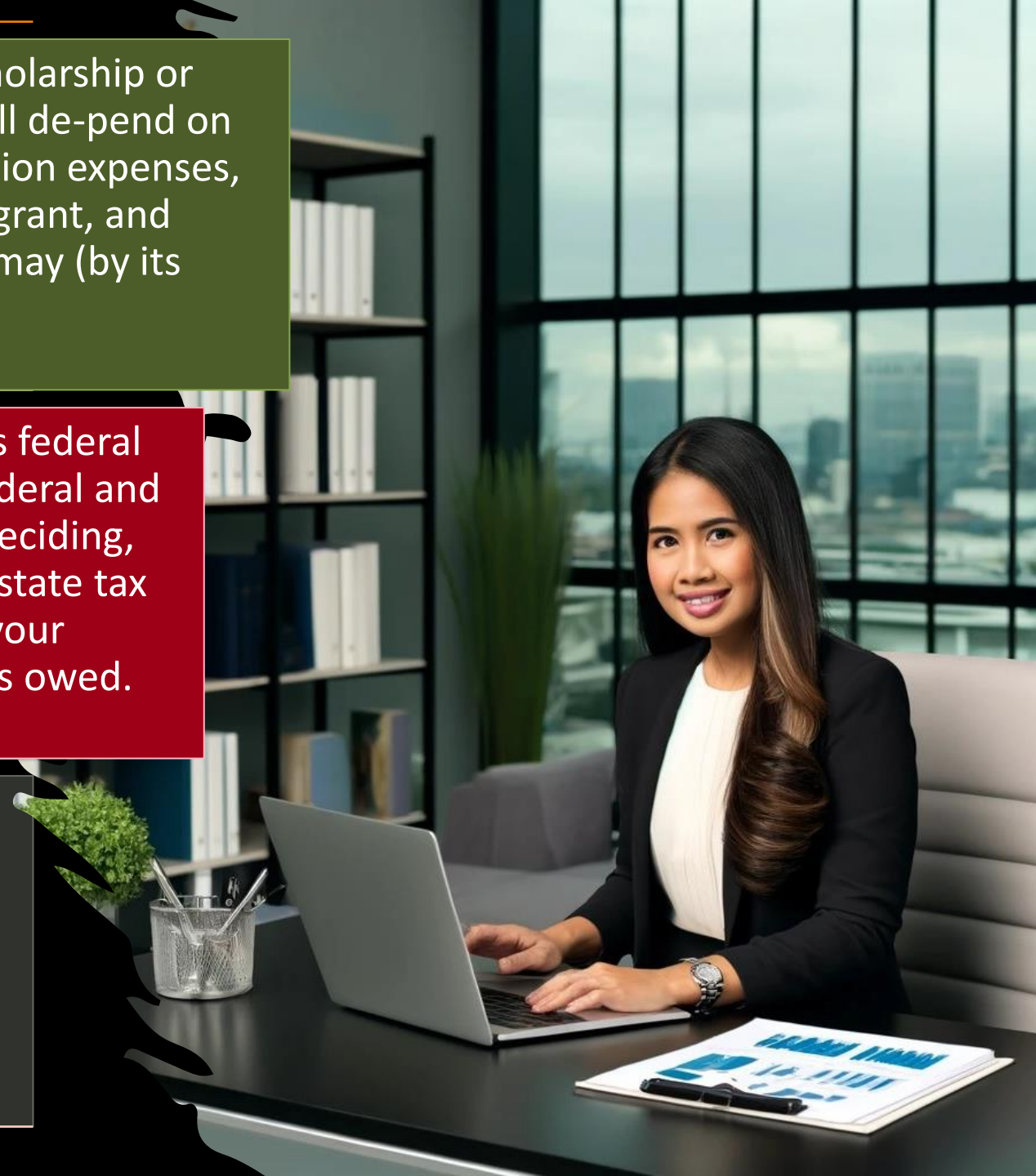


## Note.

Whether you will benefit from applying a scholarship or fellowship grant to nonqualified expenses will depend on the amount of the student's qualified education expenses, the amount of the scholarship or fellowship grant, and whether the scholarship or fellowship grant may (by its terms) be used for nonqualified expenses.

Any benefit will also depend on the student's federal and state marginal tax rates as well as any federal and state tax credits the student claims. Before deciding, look at the total amount of your federal and state tax refunds or taxes owed and, if the student is your dependent, the student's tax refunds or taxes owed.

For example, if you are the student and you also claim the EIC, choosing to apply a scholarship or fellowship grant to nonqualified expenses by including the amount in your income may benefit you if the increase to your American opportunity credit is more than the decrease to your EIC.





**Expenses  
That  
Don't  
Qualify**

Qualified education expenses don't include amounts paid for:

Insurance;

Medical expenses (including student health fees);

Room and board;

Transportation; or

Similar personal, living, or family expenses.

This is true even if the amount must be paid to the institution as a condition of enrollment or attendance.



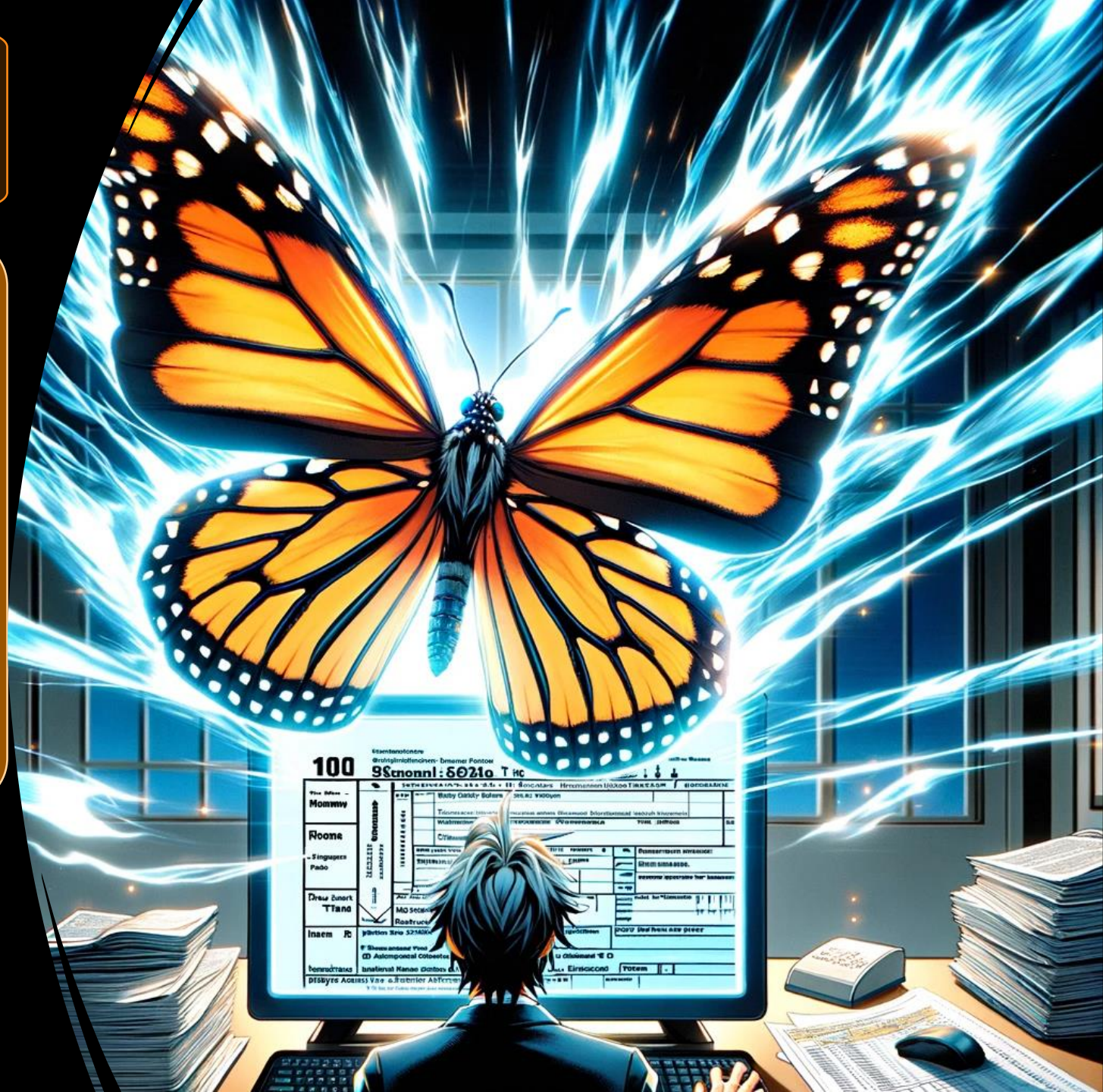
## Sports, games, hobbies, and noncredit courses.

- Qualified education expenses generally don't include expenses that relate to any course of instruction or other education that involves sports, games, or hobbies, or any noncredit course.
- However, if the course of instruction or other education is part of the student's degree program, these expenses can qualify.

# Comprehensive or bundled fees.

Some eligible educational institutions combine all of their fees for an academic period into one amount. If you don't receive or don't have access to an allocation showing how much you paid for qualified education expenses and how much you paid for personal expenses, such as those listed earlier, contact the institution.

The institution is generally required to make this allocation and provide you with the amount you paid for qualified education expenses on Form 1098-T. See *Figuring the Credit*, later, for more information about Form 1098-T.



## Who Is an Eligible Student?

To claim the American opportunity credit, the student for whom you pay qualified education expenses must be an eligible student. This is a student who meets all of the following requirements.

The student didn't have expenses that were used to figure an American opportunity credit in any 4 earlier tax years.

The student hadn't completed the first 4 years of post-secondary education (generally, the freshman, sophomore, junior, and senior years of college) before 2023.

For at least one academic period beginning in 2023 (or the first 3 months of 2024 if the qualified expenses were paid in 2023), the student was enrolled at least half-time in a program leading to a degree, certificate, or other recognized educational credential.

The student hasn't been convicted of any federal or state felony for possessing or distributing a controlled substance as of the end of 2023.



# Completion of first 4 years.

A student has completed the first 4 years of postsecondary education if the institution at which the student is enrolled awards the student 4 years of academic credit at that institution for coursework completed by the student before 2023.

This student generally wouldn't be an eligible student for purposes of the American opportunity credit.





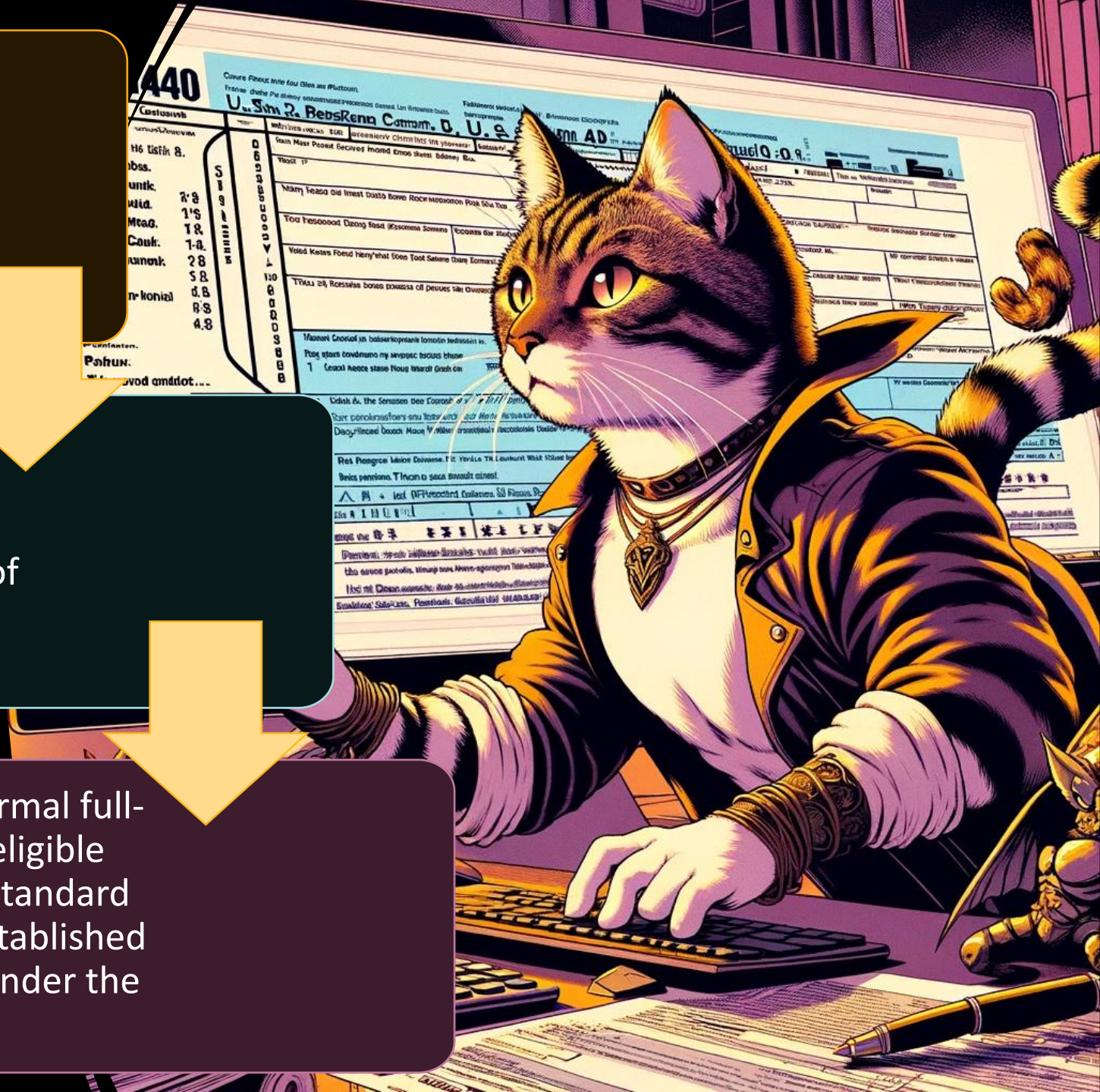
## ***Exception.***

- Any academic credit awarded solely on the basis of the student's performance on proficiency examinations is disregarded in determining whether the student has completed 4 years of postsecondary education.

# Enrolled at least half-time.

A student was enrolled at least half-time if the student was taking at least half the normal full-time workload for their course of study.

The standard for what is half of the normal full-time workload is determined by each eligible educational institution. However, the standard may not be lower than any of those established by the U.S. Department of Education under the Higher Education Act of 1965.







## *Example 1.*

Mack graduated from high school in June 2022. In September, Mack enrolled in an undergraduate degree program at College U, and attended full-time for both the 2022 fall and 2023 spring semesters.

For the 2023 fall semester, Mack was enrolled less than half-time.

Because Mack was enrolled in an undergraduate degree program on at least a half-time basis for at least one academic period that began in 2022 and at least one academic period that began in 2023, Mack is an eligible student for tax years 2022 and 2023 (including the 2023 fall semester when Mack enrolled at College U on less than a half-time basis).

# Example 2.

After taking classes at College V on a part-time basis for a few years, Shelly became a full-time student for the 2023 spring semester.

College V classified Shelly as a second-semester senior (fourth year) for the 2023 spring semester and as a first-semester graduate student (fifth year) for the 2023 fall semester.

Because College V didn't classify Shelly as having completed the first 4 years of postsecondary education as of the beginning of 2023, Shelly is an eligible student for tax year 2023.

Therefore, the qualified education expenses paid for the 2023 spring semester and the 2023 fall semester are taken into account in figuring the American opportunity credit for 2023.





- During the 2022 fall semester, Larry was a high school student who took classes on a half-time basis at College X.
- Larry wasn't enrolled as part of a degree program at College X because College X only admits students to a degree program if they have a high school diploma or equivalent.
- Because Larry wasn't enrolled in a degree program at College X during 2022, Larry wasn't an eligible student for tax year 2022.

## *Example*

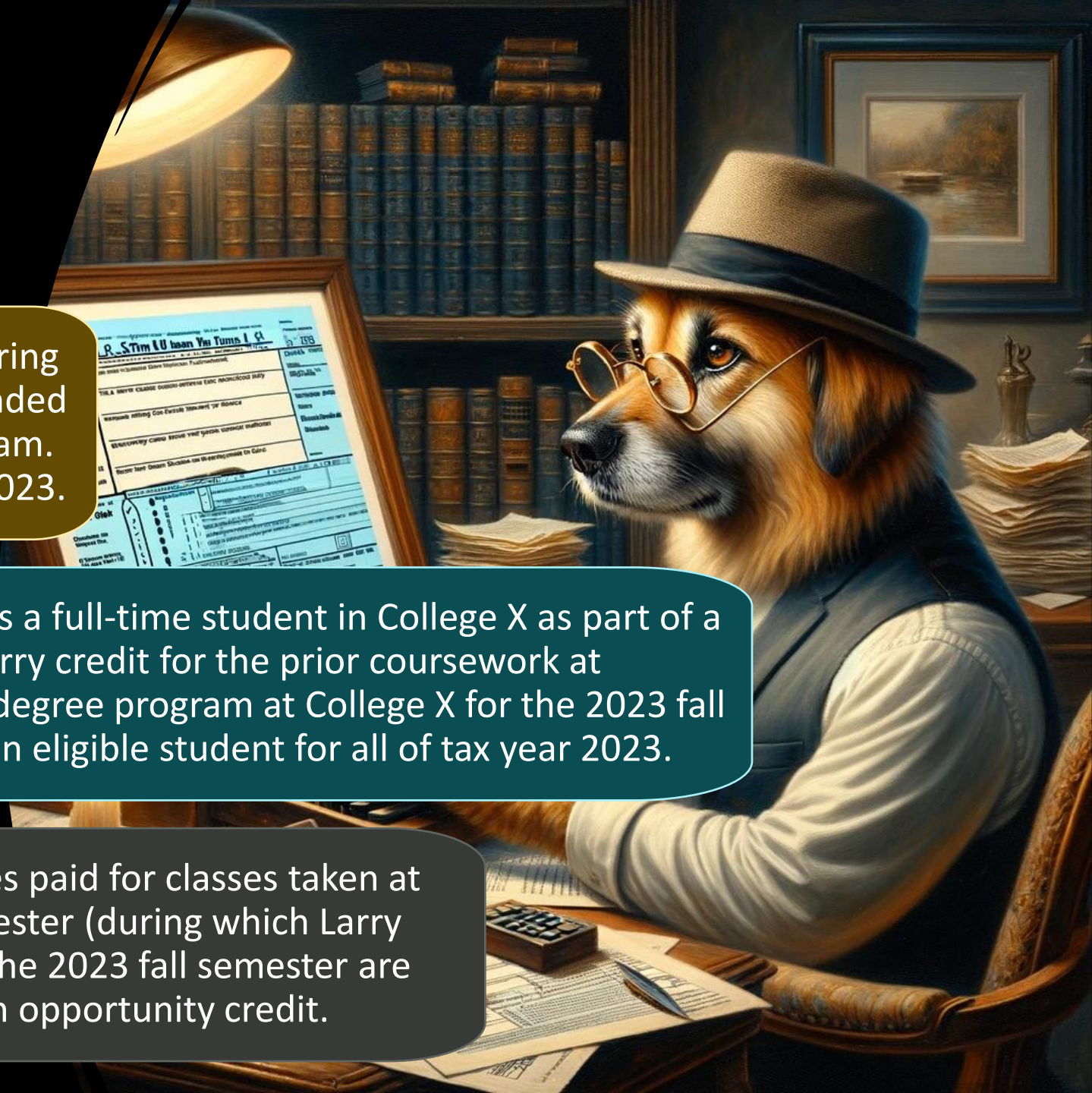
**3.**

# Example 4.

The facts are the same as in *Example 3*. During the 2023 spring semester, Larry again attended College X but not as part of a degree program. Larry graduated from high school in June 2023.

For the 2023 fall semester, Larry enrolled as a full-time student in College X as part of a degree program, and College X awarded Larry credit for the prior coursework at College X. Because Larry was enrolled in a degree program at College X for the 2023 fall term on at least a half-time basis, Larry is an eligible student for all of tax year 2023.

Therefore, the qualified education expenses paid for classes taken at College X during both the 2023 spring semester (during which Larry wasn't enrolled in a degree program) and the 2023 fall semester are taken into account in figuring any American opportunity credit.





# *Example 5.*

Dee graduated from high school in June 2022. In January 2023, Dee enrolled in a 1-year postsecondary certificate program on a full-time basis to obtain a certificate as a travel agent.

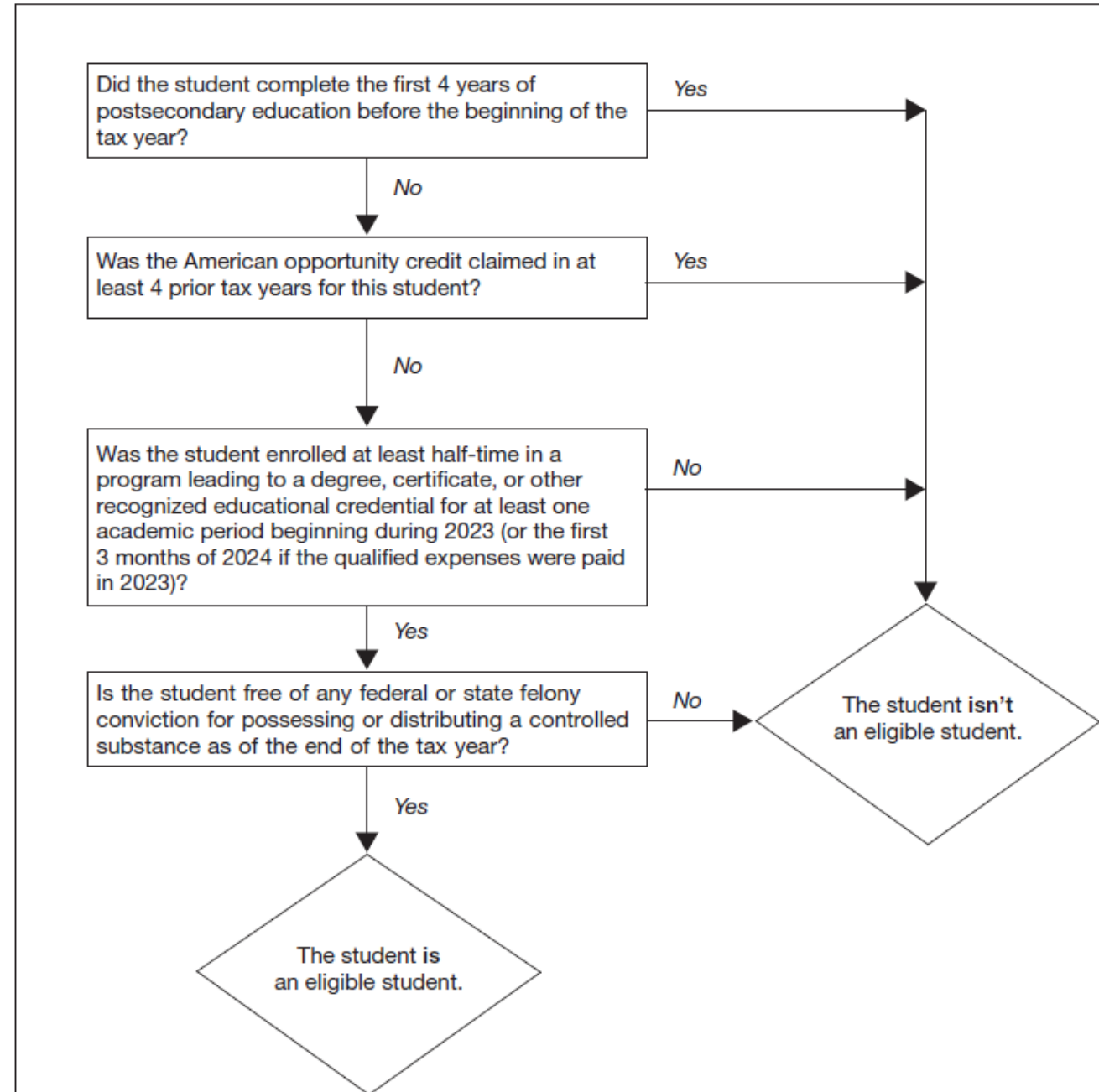
Dee completed the program in December 2023 and was awarded a certificate.

In January 2024, Dee enrolled in a 1-year postsecondary certificate program on a full-time basis to obtain a certificate as a computer programmer.

Dee is an eligible student for both tax years 2023 and 2024 because the degree requirement, the workload requirement, and the year of study requirement for those years have been met.

## Figure 2-2. Who Is an Eligible Student for the American Opportunity Credit?

This chart is provided to help you quickly decide whether a student is eligible for the American opportunity credit. See the text for more details.



# Who Can Claim a Dependent's Expenses?

If there are qualified education expenses for your dependent during a tax year, either you or your dependent, but not both of you, can claim an American opportunity credit for your dependent's expenses for that year.

For you to claim an American opportunity credit for your dependent's expenses, you must also claim your dependent on your tax return.

You do this by listing your dependent's name and other required information on Form 1040 or 1040-SR.



<b>IF you...</b>	<b>THEN only...</b>
claim on your tax return a dependent who is an eligible student	you can claim the American opportunity credit based on that dependent's expenses. The dependent can't claim the credit.
<b>don't</b> claim on your tax return a dependent who is an eligible student (even if entitled to claim the dependent)	the dependent can claim the American opportunity credit. You can't claim the credit based on this dependent's expenses.





## Expenses paid by dependent.

- If you claim on your tax return an eligible student who is your dependent, treat any expenses paid (or deemed paid) by your dependent as if you had paid them.
- Include these expenses when figuring the amount of your American opportunity credit.

# Expenses paid by you.

If you claim a dependent who is an eligible student, only you can include any expenses you paid when figuring the amount of the American opportunity credit.

If neither you nor anyone else claims the dependent, only the dependent can include any expenses you paid when figuring the American opportunity credit.





## Expenses paid by others.

Someone other than you, your spouse, or your dependent (such as a relative or former spouse) may make a payment directly to an eligible educational institution to pay for an eligible student's qualified education expenses.

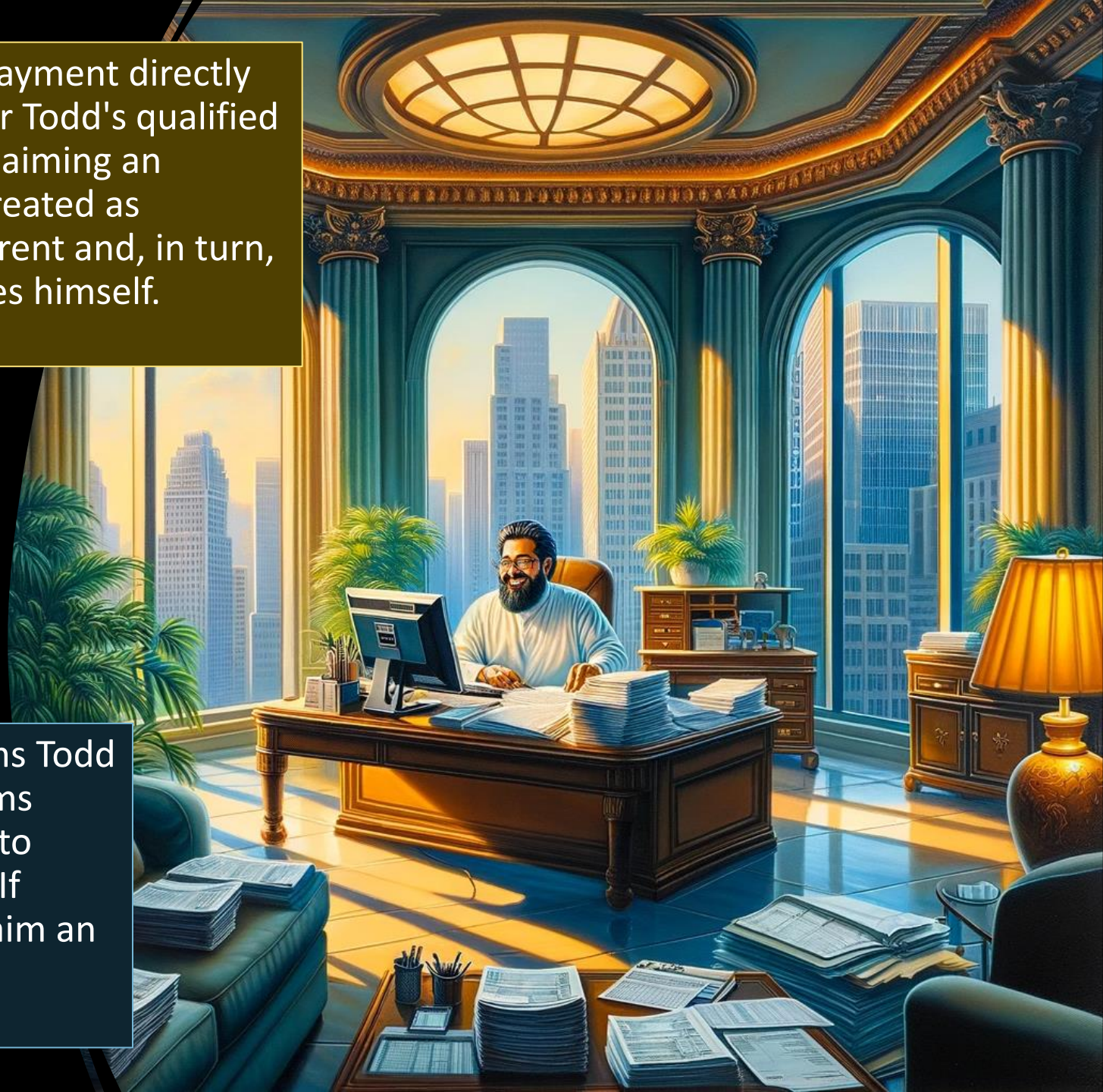
In this case, the student is treated as receiving the payment from the other person and, in turn, paying the institution. If you claim the student as a dependent on your tax return, you are considered to have paid the expenses

**Example.**

In 2023, Todd's grandparent makes a payment directly to an eligible educational institution for Todd's qualified education expenses. For purposes of claiming an American opportunity credit, Todd is treated as receiving the money from the grandparent and, in turn, paying the qualified education expenses himself.

Unless Todd is claimed as a dependent on someone else's 2023 tax return, only Todd can use the payment to claim an American opportunity credit.

If anyone, such as Todd's parents, claims Todd on their 2023 tax return, whoever claims Todd may be able to use the expenses to claim an American opportunity credit. If anyone else claims Todd, Todd can't claim an American opportunity credit.





# Tuition reduction.

When an eligible educational institution provides a reduction in tuition to an employee of the institution (or spouse or dependent child of an employee), the amount of the reduction may or may not be taxable.

If it is taxable, the employee is treated as receiving a payment of that amount and, in turn, paying it to the educational institution on behalf of the student.

For more information on tuition reductions, see *Qualified Tuition Reduction* in chapter 1.

## Figuring the Credit

The amount of the American opportunity credit (per eligible student) is the sum of:

100% of the first \$2,000 of qualified education expenses you paid for the eligible student, and

25% of the next \$2,000 of qualified education expenses you paid for that student.





The maximum amount of American opportunity credit you can claim in 2023 is \$2,500 multiplied by the number of eligible students.

You can claim the full \$2,500 for each eligible student for whom you paid at least \$4,000 of adjusted qualified education expenses.

However, the credit may be reduced based on your MAGI. See *Effect of the Amount of Your Income on the Amount of Your Credit*, later.

# Example.

Jack and Kay are married and file a joint tax return. For 2023, they claim their dependent child on their tax return. Their MAGI is \$70,000.

Their child is in the junior (third) year of studies at the local university. Jack and Kay paid qualified education expenses of \$4,300 in 2023.

Jack and Kay, their child, and the local university meet all of the requirements for the American opportunity credit.

Jack and Kay can claim a \$2,500 American opportunity credit in 2023. This is 100% of the first \$2,000 of qualified education expenses, plus 25% of the next \$2,000.





# Form 1098-T.

To help you figure your American opportunity credit, the student may receive Form 1098-T. Generally, an eligible educational institution (such as a college or university) must send Form 1098-T (or acceptable substitute) to each enrolled student by January 31, 2024. An institution will report payments received (box 1) for qualified education expenses.

However, the amount on Form 1098-T might be different from what you paid. When figuring the credit, use only the amounts you paid or are deemed to have paid in 2023 for qualified education expenses.

In addition, Form 1098-T should give other information for that institution, such as adjustments made for prior years, the amount of scholarships or grants, reimbursements or refunds, and whether the student was enrolled at least half-time or was a graduate student.

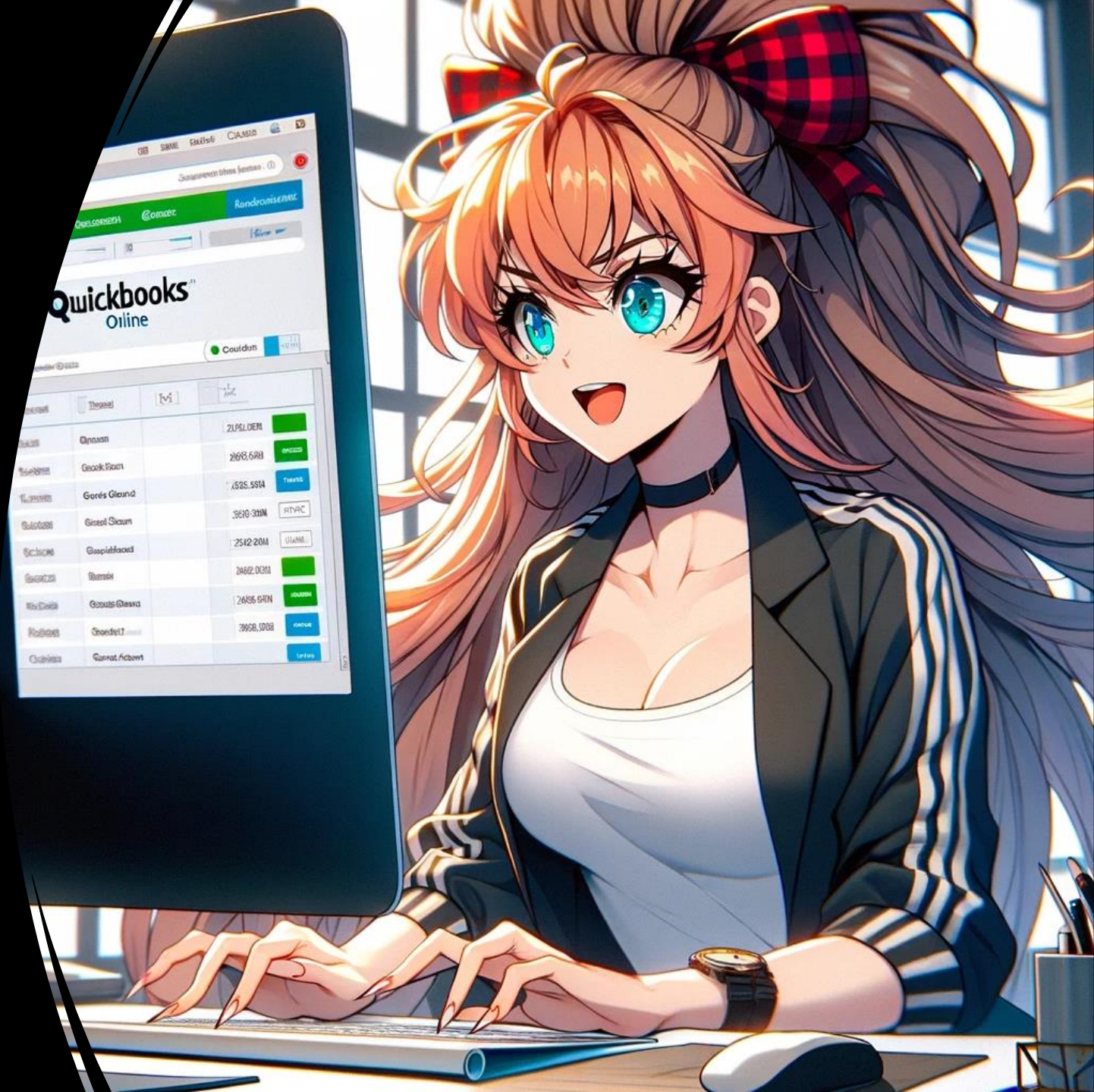
The eligible educational institution may ask for a completed Form W-9S, Request for Student's or Borrower's Taxpayer Identification Number and Certification, or similar statement to obtain the student's name, address, and TIN.



## Effect of the Amount of Your Income on the Amount of Your Credit

The amount of your American opportunity credit is phased out (gradually reduced) if your MAGI is between \$80,000 and \$90,000 (\$160,000 and \$180,000 if you file a joint return).

You can't claim an American opportunity credit if your MAGI is \$90,000 or more (\$180,000 or more if you file a joint return).





# Modified adjusted gross income (MAGI).

- For most taxpayers, MAGI is adjusted gross income (AGI) as figured on their federal income tax return.

## ***MAGI when using Form 1040 or 1040-SR.***

If you file Form 1040 or 1040-SR, your MAGI is the AGI on line 11 of that form, modified by adding back any:

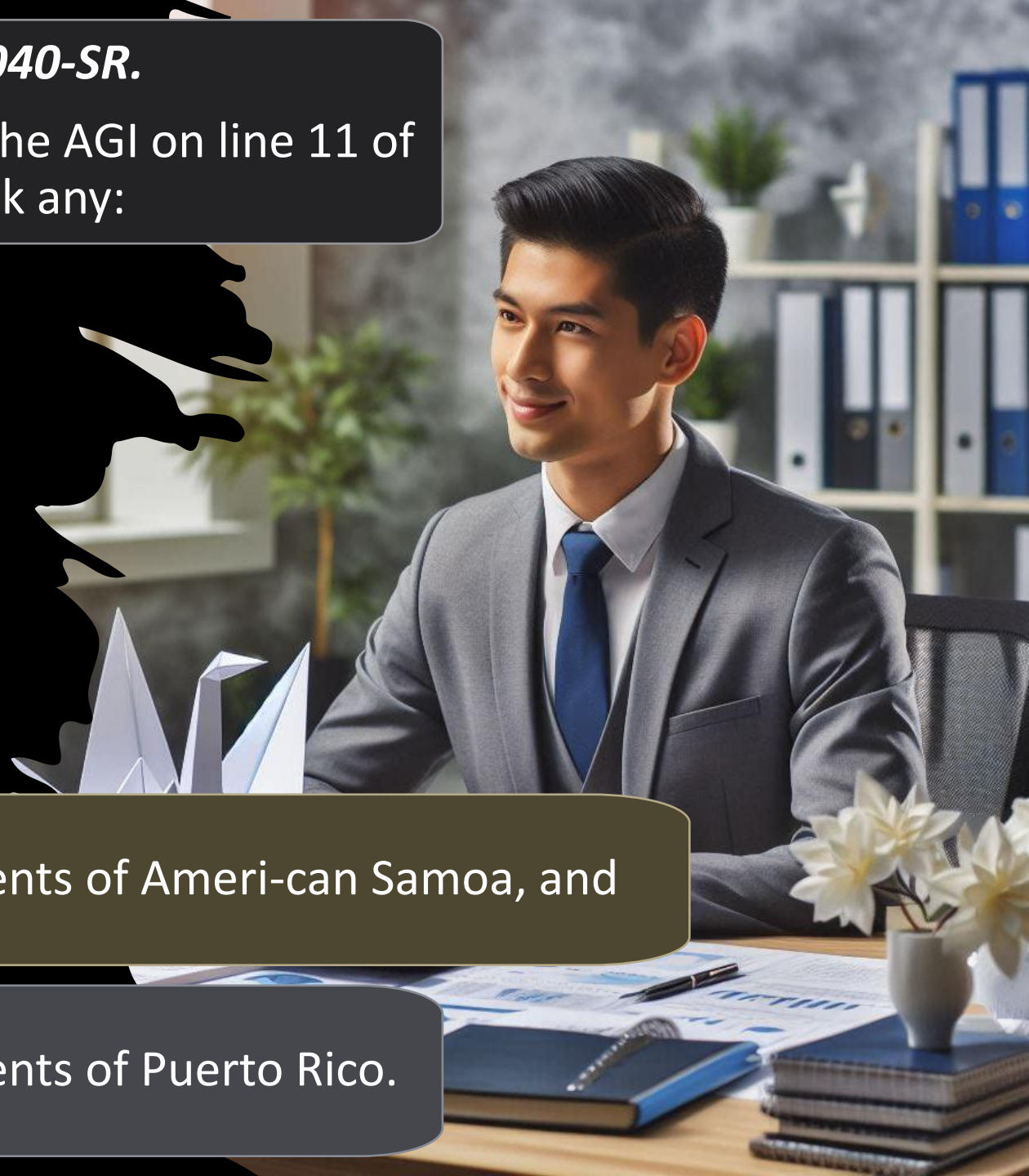
Foreign earned income exclusion,

Foreign housing exclusion,

Foreign housing deduction,

Exclusion of income by bona fide residents of American Samoa, and

Exclusion of income by bona fide residents of Puerto Rico.



## Worksheet 2-1. MAGI for the American Opportunity Credit

1. Enter your adjusted gross income  
(Form 1040 or 1040-SR, line 11) . . . . . 1. \_\_\_\_\_
2. Enter your foreign earned income  
exclusion and/or housing exclusion  
(Form 2555, line 45) . . . . . 2. \_\_\_\_\_
3. Enter your foreign housing  
deduction (Form 2555, line 50) . . . . . 3. \_\_\_\_\_
4. Enter the amount of income from  
Puerto Rico you are excluding . . . . . 4. \_\_\_\_\_
5. Enter the amount of income from  
American Samoa you are excluding  
(Form 4563, line 15) . . . . . 5. \_\_\_\_\_
6. Add the amounts on  
lines 2, 3, 4, and 5 . . . . . 6. \_\_\_\_\_
7. Add the amounts on lines 1 and 6.  
This is your **modified adjusted gross  
income**. Enter here and  
on Form 8863, line 3 . . . . . 7. \_\_\_\_\_



# Phaseout.

- If your MAGI is within the range of incomes where the credit must be reduced, you will figure your reduced credit using lines 2–7 of Form 8863, Part I.
- The same method is shown in the following example.

**Example.**

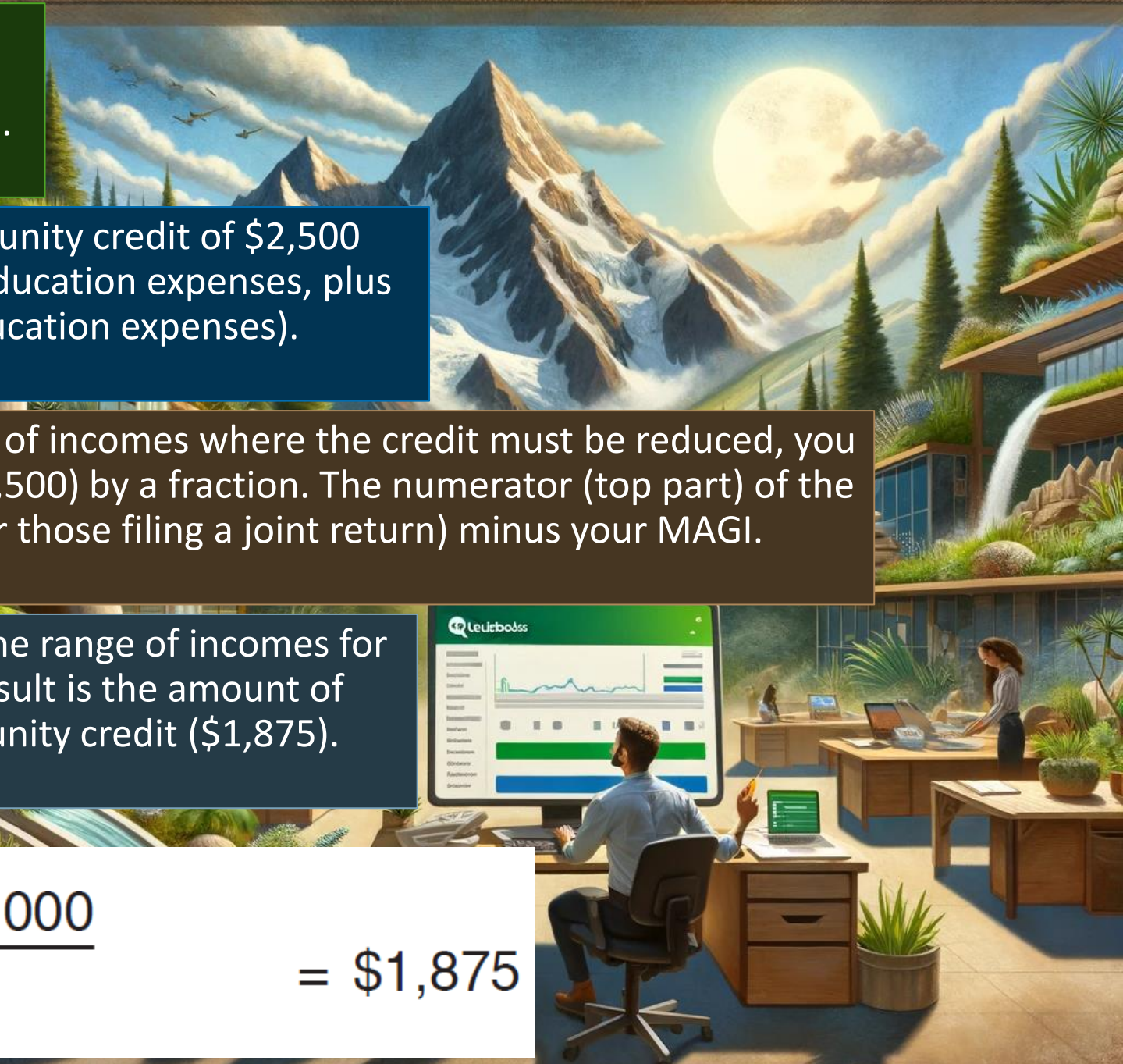
You are filing a joint return and your MAGI is \$165,000. In 2023, you paid \$5,000 of qualified education expenses.

You figure a tentative American opportunity credit of \$2,500 (100% of the first \$2,000 of qualified education expenses, plus 25% of the next \$2,000 of qualified education expenses).

Because your MAGI is within the range of incomes where the credit must be reduced, you must multiply your tentative credit (\$2,500) by a fraction. The numerator (top part) of the fraction is \$180,000 (the upper limit for those filing a joint return) minus your MAGI.

The denominator (bottom part) is \$20,000, the range of incomes for the phaseout (\$160,000 to \$180,000). The result is the amount of your phased out (reduced) American opportunity credit (\$1,875).

$$\$2,500 \times \frac{\$180,000 - \$165,000}{\$20,000} = \$1,875$$





## Refundable Part of Credit

- Forty percent of the American opportunity credit is refund-able for most taxpayers.
- However, if you were under age 24 at the end of 2023 and the conditions listed below apply to you, you **can't** claim any part of the American opportunity credit as a refundable credit on your tax return.
- Instead, your allowed credit (figured on Form 8863, Part II) will be used to reduce your tax as a nonrefundable credit only.



# You don't qualify for a refund if items 1 (a, b, or c), 2, and 3 below apply to you.

You were:

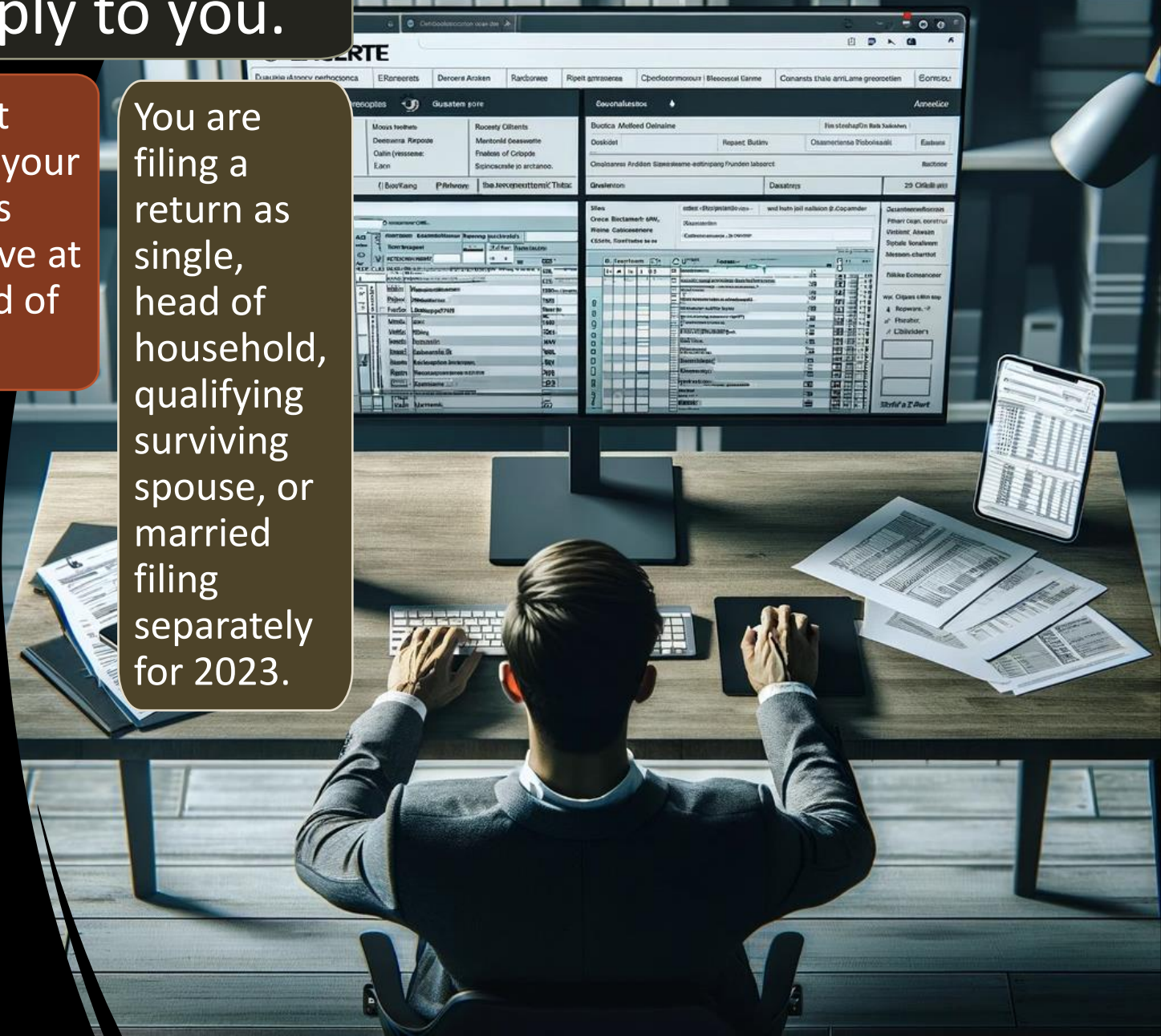
Under age 18 at the end of 2023, or

Age 18 at the end of 2023 and your earned income (defined below) was less than one-half of your support (defined below), or

Over age 18 and under age 24 at the end of 2023 and a full-time student (defined below) and your earned income (defined below) was less than one-half of your support (defined below).

At least one of your parents was alive at the end of 2023.

You are filing a return as single, head of household, qualifying surviving spouse, or married filing separately for 2023.



A person is seen from behind, sitting at a desk in a high-rise office. They are looking at a computer monitor. The office has large windows that offer a panoramic view of a city skyline at sunset. The sun is low on the horizon, casting a warm glow over the buildings. The person is wearing a light-colored shirt. The desk has a laptop and some papers on it. The overall atmosphere is professional and focused.

# Earned income.

Earned income includes wages, salaries, professional fees, and other payments received for personal services actually performed. Earned income includes the part of any scholarship or fellowship grant that represents payment for teaching, research, or other services performed by the student that are required as a condition for receiving the scholarship or fellowship grant.

Earned income doesn't include that part of the compensation for personal services rendered to a corporation which represents a distribution of earnings or profits rather than a reasonable allowance as compensation for the personal services actually rendered.

If you are a sole proprietor or a partner in a trade or business in which both personal services and capital are material income-producing factors, earned income also includes a reasonable allowance for compensation for personal services, but not more than 30% of your share of the net profits from that trade or business (after subtracting the deduction for one-half of self-employment tax). However, if capital isn't an income-producing factor and your personal services produced the business income, the 30% limit doesn't apply.



# Support.

Your support includes food, shelter, clothing, medical and dental care, education, and the like. Generally, the amount of the item of support will be the amount of expenses incurred by the one furnishing such item.

If the item of support is in the form of property or lodging, measure the amount of such item of support by its fair market value.

However, a scholarship received by you isn't considered support if you are a full-time student. See Pub. 501 for details.



**Full-time student.**

- You are a full-time student for 2023 if during any part of any 5 calendar months during the year you were enrolled as a full-time student at an eligible educational institution (defined earlier), or took a full-time, on-farm training course given by such an institution or by a state, county, or local government agency.

# Claiming the Credit

You claim the American opportunity credit by completing Form 8863 and submitting it with your Form 1040 or 1040-SR.

Enter the nonrefundable part of the credit on Schedule 3 (Form 1040), line 3. Enter the refundable part of the credit on Form 1040 or 1040-SR, line 29.





## Can You Claim the Credit?

- The following rules will help you determine if you are eligible to claim the lifetime learning credit on your tax return.

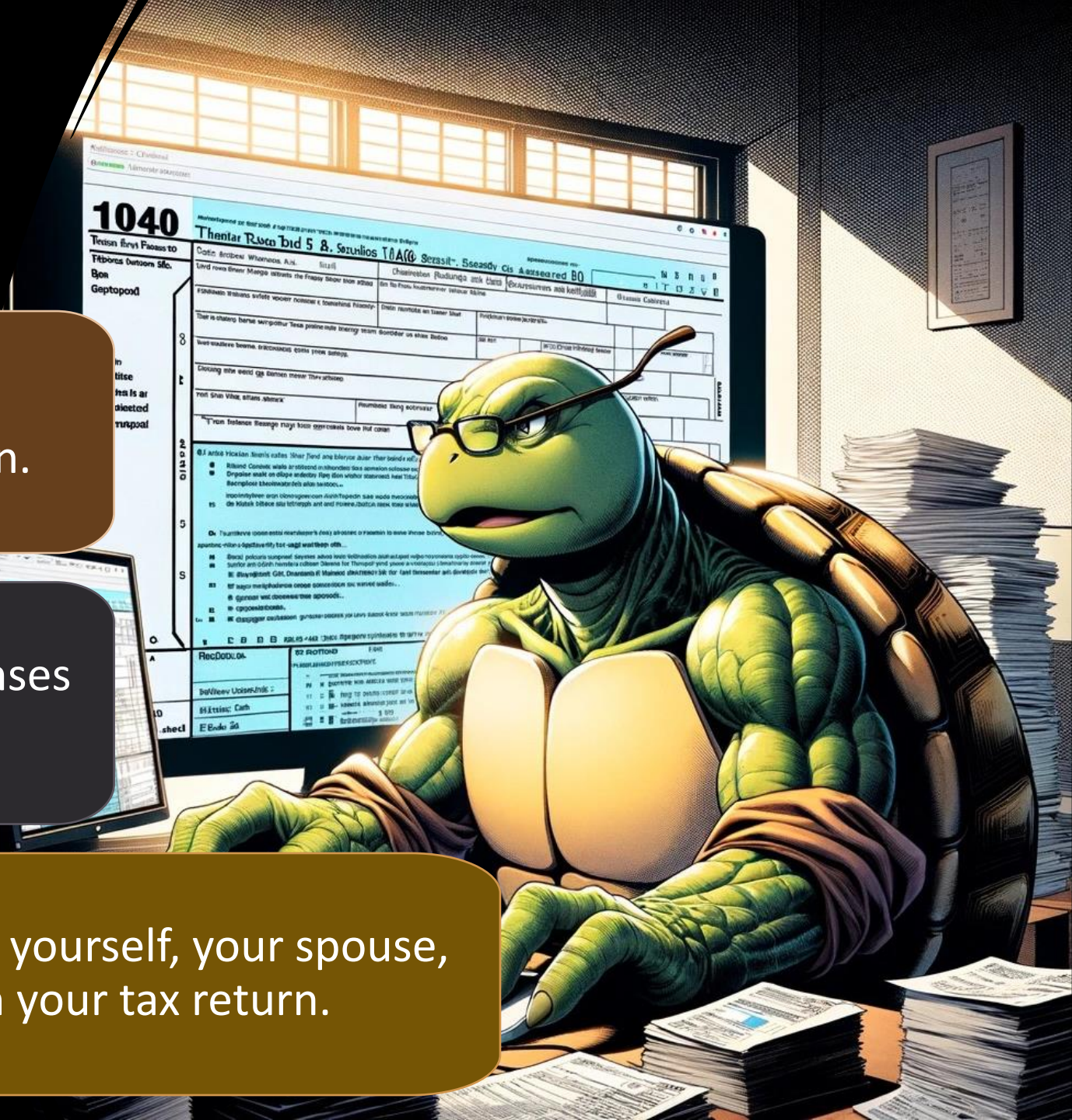
## Who Can Claim the Credit?

Generally, you can claim the lifetime learning credit if all three of the following requirements are met.

You pay qualified education expenses of higher education.

You pay the education expenses for an eligible student.

The eligible student is either yourself, your spouse, or a dependent you claim on your tax return.



**Table 3-1. Overview of the Lifetime Learning Credit for 2023**

<b>Maximum credit</b>	Up to \$2,000 credit per return
<b>Limit on modified adjusted gross income (MAGI)</b>	\$180,000 if married filing jointly; \$90,000 if single, head of household, or qualifying surviving spouse
<b>Refundable or nonrefundable</b>	Nonrefundable—credit limited to the amount of tax you must pay on your taxable income
<b>Number of years of postsecondary education</b>	Available for all years of postsecondary education and for courses to acquire or improve job skills
<b>Number of tax years credit available</b>	Available for an unlimited number of tax years
<b>Type of program required</b>	Student doesn't need to be pursuing a program leading to a degree or other recognized education credential
<b>Number of courses</b>	Available for one or more courses
<b>Felony drug conviction</b>	Felony drug convictions don't make the student ineligible
<b>Qualified expenses</b>	Tuition and fees required for enrollment or attendance (including amounts required to be paid to the institution for course-related books, supplies, and equipment)
<b>Payments for academic periods</b>	Payments made in 2023 for academic periods beginning in 2023 or beginning in the first 3 months of 2024



# Who Can't Claim the Credit?

You can't claim the lifetime learning credit for 2023 if any of the following apply.

Your filing status is married filing separately.

You are listed as a dependent on another person's tax return (such as your parents'). See *Who Can Claim a Dependent's Expenses*, later.

Your modified adjusted gross income (MAGI) is \$90,000 or more (\$180,000 or more if filing married filing jointly). MAGI is explained later under *Effect of the Amount of Your Income on the Amount of Your Credit*.

You (or your spouse) were a nonresident alien for any part of 2023 and the nonresident alien didn't elect to be treated as a resident alien for tax purposes. More information on nonresident aliens can be found in Pub. 519.

You claim the American opportunity credit (see chapter 2) for the same student in 2023.



# What Expenses Qualify?

The lifetime learning credit is based on qualified education expenses you pay for yourself, your spouse, or a dependent you claim on your tax return. Generally, the credit is allowed for qualified education expenses paid in 2023 for an academic period beginning in 2023 or in the first 3 months of 2024.

For example, if you paid \$1,500 in December 2023 for qualified tuition for the spring 2024 semester beginning in January 2024, you may be able to use that \$1,500 in figuring your 2023 credit.





## Academic period.

An academic period includes a semester, trimester, quarter, or other period of study (such as a summer school session) as reasonably determined by an educational institution.

If an educational institution uses credit hours or clock hours and doesn't have academic terms, each payment period can be treated as an academic period.

## Paid with borrowed funds.

You can claim a lifetime learning credit for qualified education expenses paid with the proceeds of a loan. You use the expenses to figure the lifetime learning credit for the year in which the expenses are paid, not the year in which the loan is repaid.

Treat loan disbursements sent directly to the educational institution as paid on the date the institution credits the student's account.

## Student withdraws from class(es).

You can claim a lifetime learning credit for qualified education expenses not refunded when a student withdraws.

# Qualified Education Expenses

For purposes of the lifetime learning credit, qualified education expenses are tuition and certain related expenses required for enrollment in a course at an eligible educational institution.

The course must be either part of a post-secondary degree program or taken by the student to acquire or improve job skills.





## Eligible educational institution.

An eligible educational institution is any college, university, vocational school, or other postsecondary educational institution eligible to participate in a student aid program administered by the U.S. Department of Education.

Virtually all accredited public, nonprofit, and proprietary (privately owned profit-making) postsecondary institutions meet this definition.

An eligible educational institution also includes certain educational institutions located outside the United States that are eligible to participate in a student aid program administered by the U.S. Department of Education.

## Related expenses.

- Student activity fees and expenses for course-related books, supplies, and equipment are included in qualified education expenses only if the fees and expenses must be paid to the institution for enrollment or attendance.

## Prepaid expenses.

- Qualified education expenses paid in 2023 for an academic period that begins in the first 3 months of 2024 can be used in figuring an education credit for 2023 only. See *Academic period*, earlier.
- For ex-ample, if you pay \$2,000 in December 2023 for qualified tuition for the 2024 winter quarter that begins in January 2024, you can use that \$2,000 in figuring an education credit for 2023 only (if you meet all the other requirements).





## *Example 1.*

Jackson is a sophomore in University V's degree program in dentistry. This year, in addition to tuition, Jackson is required to pay a fee to the university for the rental of the dental equipment that will be used in this program.

Because the equipment rental fee must be paid to University V for enrollment and attendance, the equipment rental fee is a qualified expense.

## *Example 2.*

Donna and Charles, both first-year students at College W, are required to have certain books and other reading materials to use in their mandatory first-year classes.

The college has no policy about how students should obtain these materials, but any student who purchases them from College W's bookstore will receive a bill directly from the college.

Charles bought the books from a friend, so what was paid for them isn't a qualified education expense. Donna bought the books at College W's bookstore.

Although Donna paid College W directly for the first-year books and materials, the payment isn't a qualified expense because the books and materials aren't required to be purchased from College W for enrollment or attendance at the institution.







**Example 3.**

- When Marci enrolled at College X for freshman year, a separate student activity fee in addition to tuition had to be paid. This activity fee is required of all students, and is used solely to fund on-campus organizations and activities run by students, such as the student newspaper and student government.
- No portion of the fee covers personal expenses. Although labeled as a student activity fee, the fee is required for Marci's enrollment and attendance at College X. Therefore, it is a qualified expense.

An illustration of a woman with dark hair, wearing a light blue top, sitting at a desk in an office. She is smiling and looking towards the right. On the desk in front of her are a laptop, a keyboard, a mouse, a smartphone, and a pen. In the background, there is a framed picture of her smiling and holding a pen, and a potted plant.

**No Double Benefit Allowed** - You can't do any of the following.

Deduct higher education expenses on your income tax return (as, for example, a business expense) and also claim a lifetime learning credit based on those same expenses.

Claim a lifetime learning credit for any student and use any of that student's expenses in figuring your American opportunity credit.

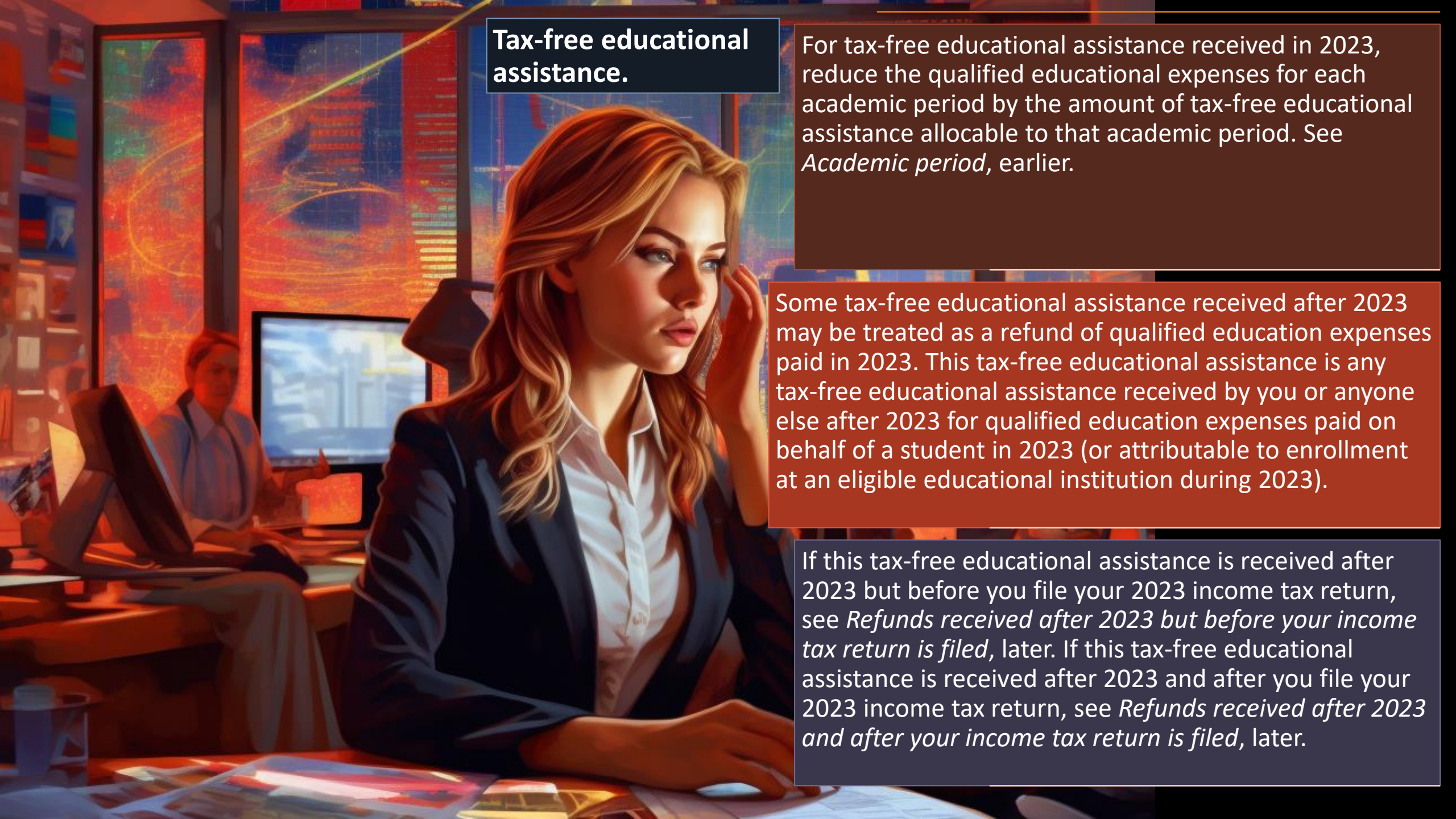
Claim a lifetime learning credit based on the same expenses used to figure the tax-free portion of a distribution from a Coverdell education savings account (ESA) or qualified tuition program (QTP). See *Coordination With American Opportunity and Lifetime Learning Credits* in chapter 6 and *Coordination With American Opportunity and Lifetime Learning Credits* in chapter 7.

Claim a credit based on qualified education expenses paid with tax-free educational assistance, such as a scholarship, grant, or assistance provided by an employer. See *Adjustments to Qualified Education Expenses* next.

# Adjustments to Qualified Education Expenses

- For each student, reduce the qualified education expenses paid by or on behalf of that student under the following rules.
- The result is the amount of adjusted qualified education expenses for each student.





**Tax-free educational assistance.**

For tax-free educational assistance received in 2023, reduce the qualified educational expenses for each academic period by the amount of tax-free educational assistance allocable to that academic period. See *Academic period*, earlier.

Some tax-free educational assistance received after 2023 may be treated as a refund of qualified education expenses paid in 2023. This tax-free educational assistance is any tax-free educational assistance received by you or anyone else after 2023 for qualified education expenses paid on behalf of a student in 2023 (or attributable to enrollment at an eligible educational institution during 2023).

If this tax-free educational assistance is received after 2023 but before you file your 2023 income tax return, see *Refunds received after 2023 but before your income tax return is filed*, later. If this tax-free educational assistance is received after 2023 and after you file your 2023 income tax return, see *Refunds received after 2023 and after your income tax return is filed*, later.



## Tax-free educational assistance includes:

The tax-free part of scholarships and fellowship grants (see *Tax-Free Scholarships and Fellowship Grants* in chapter 1);

The tax-free part of Pell grants (see *Pell Grants and Other Title IV Need-Based Education Grants* in chapter 1);

Employer-provided educational assistance (see chapter 10);

Veterans' educational assistance (see *Veterans' Benefits* in chapter 1); and

Any other nontaxable (tax-free) payments (other than gifts or inheritances) received as educational assistance.

Generally, any scholarship or fellowship grant is treated as tax free. However, a scholarship or fellowship grant isn't treated as tax free to the extent the student includes it in gross income (the student may or may not be required to file a tax return for the year the scholarship or fellowship grant is received) and either of the following is true.

The scholarship or fellowship grant (or any part of it) **must** be applied (by its terms) to expenses (such as room and board) other than qualified education expenses as defined in *Qualified education expenses* in chapter 1.

The scholarship or fellowship grant (or any part of it) **may** be applied (by its terms) to expenses (such as room and board) other than qualified education expenses as defined in *Qualified education expenses* in chapter 1.





# Refunds.

A refund of qualified education expenses may reduce adjusted qualified education expenses for the tax year or require repayment (recapture) of a credit claimed in an earlier year.

Some tax-free educational assistance received after 2023 may be treated as a refund. See *Tax-free educational assistance*, earlier.

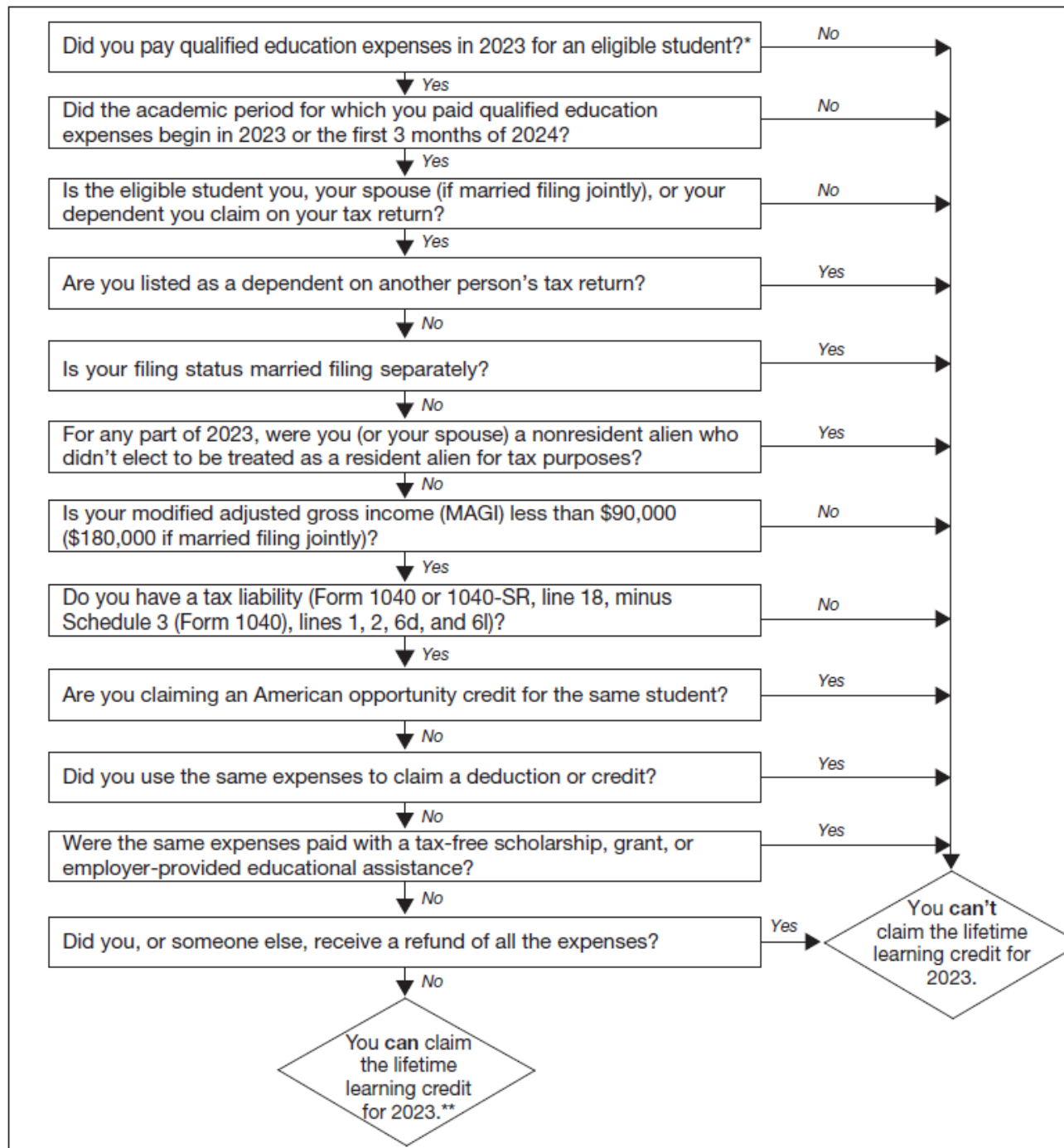
## *Refunds received in 2023.*

- For each student, figure the adjusted qualified education expenses for 2023 by adding all the qualified education expenses for 2023 and subtracting any refunds of those expenses received from the eligible educational institution during 2023.





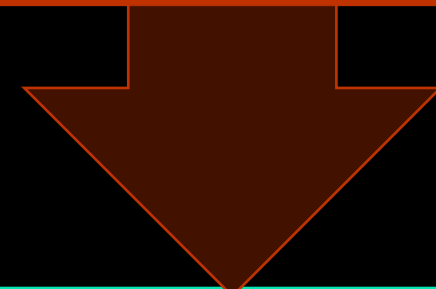
**Figure 3-1. Can You Claim the Lifetime Learning Credit for 2023?**





***Refunds received after 2023 but before your income tax return is filed.***

If anyone receives a refund after 2023 of qualified education expenses paid on behalf of a student in 2023 and the refund is paid before you file an income tax return for 2023, the amount of qualified education expenses for 2023 is reduced by the amount of the refund.



***Refunds received after 2023 and after your income tax return is filed.***

If anyone receives a refund after 2023 of qualified education expenses paid on behalf of a student in 2023 and the refund is paid after you file an income tax return for 2023, you may need to repay some or all of the credit. See *Credit recapture* next.

# Credit recapture.

If any tax-free educational assistance for the qualified education expenses paid in 2023 or any refund of your qualified education expenses paid in 2023 is received after you file your 2023 income tax return, you must recapture (repay) any excess credit.

You do this by refiguring the amount of your adjusted qualified education expenses for 2023 by reducing the expenses by the amount of the refund or tax-free educational assistance.

You then refigure your education credit(s) for 2023 and figure the amount by which your 2023 tax liability would have increased if you had claimed the refigured credit(s). Include that amount as an additional tax for the year the re-fund or tax-free assistance was received.





# *Example.*

You pay \$9,300 in tuition and fees in December 2023, and your child began college in January 2024.

You filed your 2023 tax return on February 14, 2024, and claimed a lifetime learning credit of \$1,860.

You claimed no other tax credits. After you filed your return, your child withdrew from two courses and you received a refund of \$2,900.

You must refigure your 2023 lifetime learning credit using \$6,400 of qualified education expenses instead of \$9,300.

The refigured credit is \$1,280 and your tax liability increased by \$580.

See the instructions for your 2024 income tax return to determine where to include this tax.

# Tip

*If you pay qualified education expenses in both 2023 and 2024 for an academic period that begins in the first 3 months of 2024 and you receive tax-free educational assistance, or a refund, as described above, you may choose to reduce your qualified education expenses for 2024 instead of reducing your expenses for 2023.*





**Amounts that don't reduce qualified education expenses.**  
Don't reduce qualified education expenses by amounts paid with funds the student receives as:

Payment for services, such as wages;

A loan;

A gift;

An inheritance; or

A withdrawal from the student's personal savings.

Don't reduce the qualified education expenses by any scholarship or fellowship grant reported as income on the student's tax return in the following situations.

The use of the money is restricted, by the terms of the scholarship or fellowship grant, to costs of attendance (such as room and board) other than qualified education expenses, as defined in *Qualified education expenses* in chapter 1.

The use of the money isn't restricted.





## Coordination with Pell grants and other scholarships.

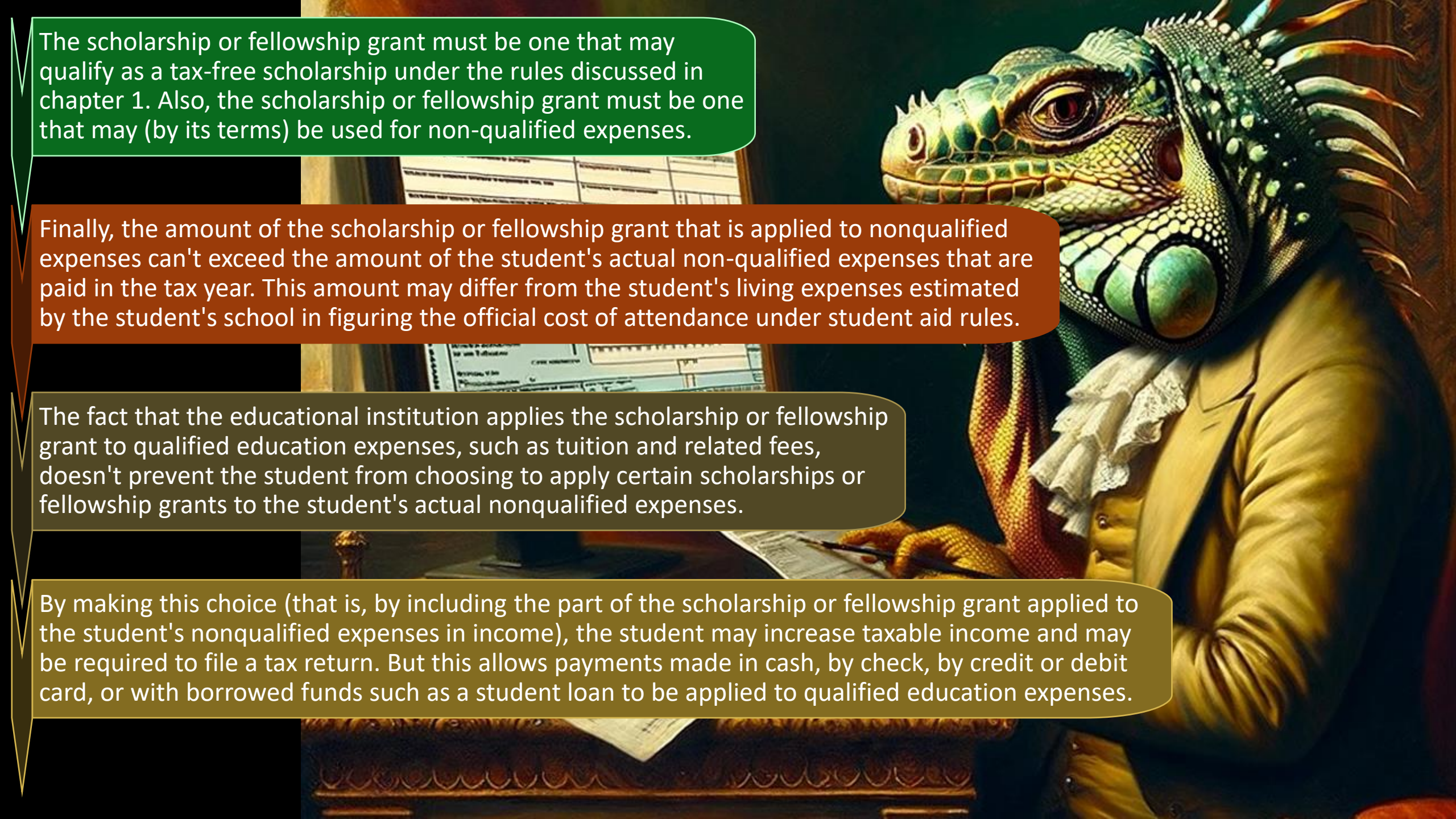
You may be able to increase your lifetime learning credit when the student (you, your spouse, or your dependent) includes certain scholarships or fellowship grants in the student's gross income. Your credit may increase only if the amount of the student's qualified education expenses minus the total amount of scholarships and fellowship grants is less than \$10,000.

If this situation applies, consider including some or all of the scholarship or fellowship grant in the student's income in order to treat the included amount as paying nonqualified expenses instead of qualified education expenses. Nonqualified expenses are expenses such as room and board that aren't qualified education expenses such as tuition and related fees.

Scholarships and fellowship grants that the student includes in income don't reduce the student's qualified education expenses available to figure your lifetime learning credit. Thus, including enough of the scholarship or fellowship grant in the student's income to report up to \$10,000 in qualified education expenses for your lifetime learning credit may increase the credit by enough to increase your tax refund or reduce the amount of tax you owe even considering any increased tax liability from the additional income.

However, the increase in tax liability as well as the loss of other tax credits may be greater than the additional lifetime learning credit and may cause your tax refund to decrease or the amount of tax you owe to increase. Your specific circumstances will determine what amount, if any, of the scholarship or fellowship grant to include in income to maximize your tax refund or minimize the amount of tax you owe.



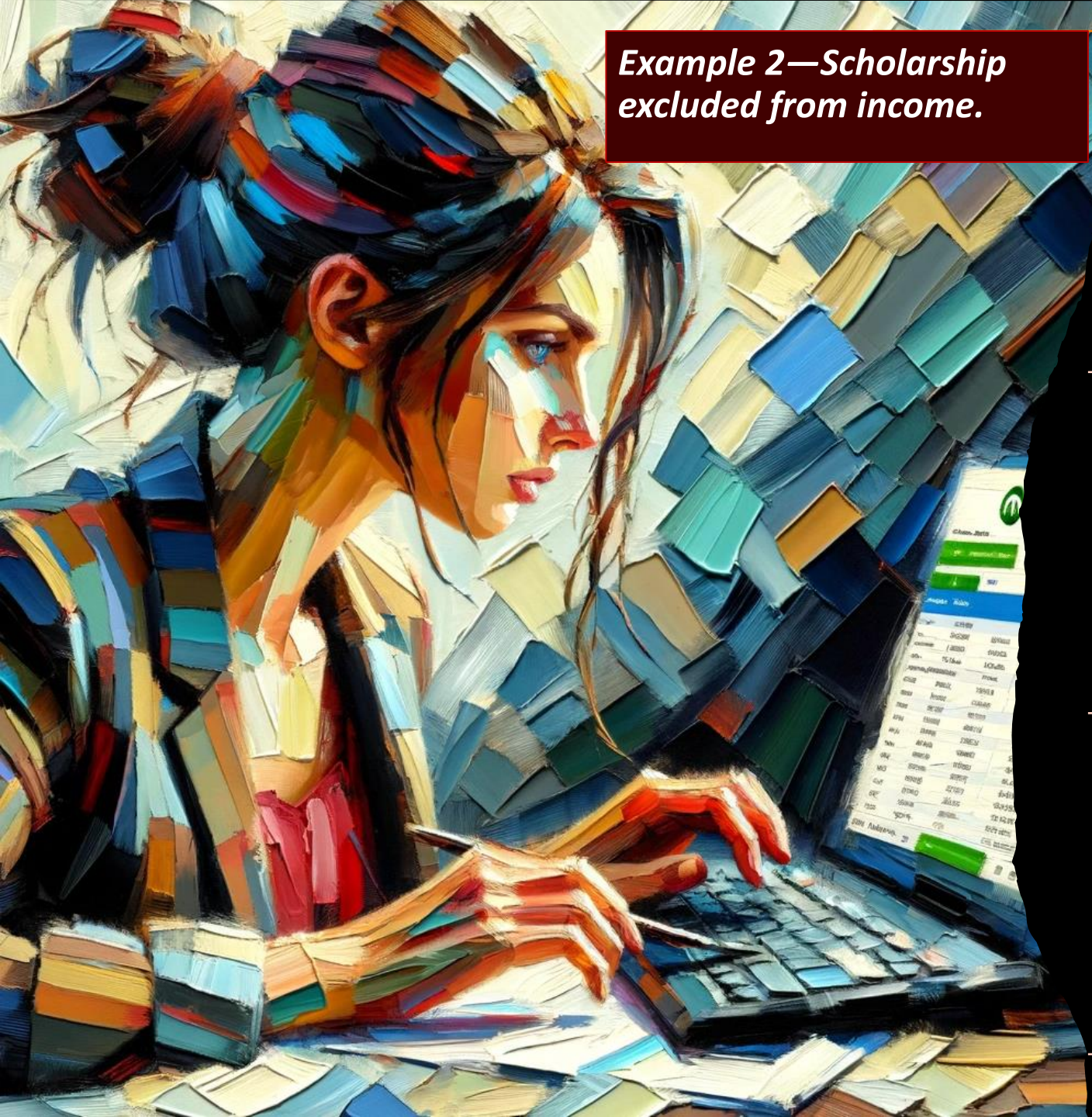


The scholarship or fellowship grant must be one that may qualify as a tax-free scholarship under the rules discussed in chapter 1. Also, the scholarship or fellowship grant must be one that may (by its terms) be used for non-qualified expenses.

Finally, the amount of the scholarship or fellowship grant that is applied to nonqualified expenses can't exceed the amount of the student's actual non-qualified expenses that are paid in the tax year. This amount may differ from the student's living expenses estimated by the student's school in figuring the official cost of attendance under student aid rules.

The fact that the educational institution applies the scholarship or fellowship grant to qualified education expenses, such as tuition and related fees, doesn't prevent the student from choosing to apply certain scholarships or fellowship grants to the student's actual nonqualified expenses.

By making this choice (that is, by including the part of the scholarship or fellowship grant applied to the student's nonqualified expenses in income), the student may increase taxable income and may be required to file a tax return. But this allows payments made in cash, by check, by credit or debit card, or with borrowed funds such as a student loan to be applied to qualified education expenses.



**Example 2—Scholarship excluded from income.**

The facts are the same as in *Example 1—No scholarship*, except that Judy was awarded a \$1,500 scholarship. Under the terms of the scholarship, it may be used to pay any educational expenses, including room and board.

If the scholarship is excluded from income, Judy will be deemed (for purposes of figuring the education credit) to have applied the scholarship to pay for tuition, required fees, and course materials.

Only \$3,000 of the \$4,500 tuition paid in 2023 could be used when figuring the 2023 lifetime learning credit. The lifetime learning credit would be reduced to \$600 and the tax liability after credits would be \$965.

### ***Example 3—Scholarship included in income.***

The facts are the same as in *Example 2—Scholarship excluded from income.*

If, unlike *Example 2*, Judy includes the \$1,500 scholarship in income, Judy will be deemed to have applied the entire scholarship to pay for room and board.

Judy's AGI and MAGI would increase to \$30,200, the taxable income would be \$16,350, and the tax liability before credits would be \$1,745.

Judy would be able to use the \$4,500 of adjusted qualified education expenses to figure the credit.

Judy could claim a \$900 lifetime learning credit and the tax liability after credits would be \$845.





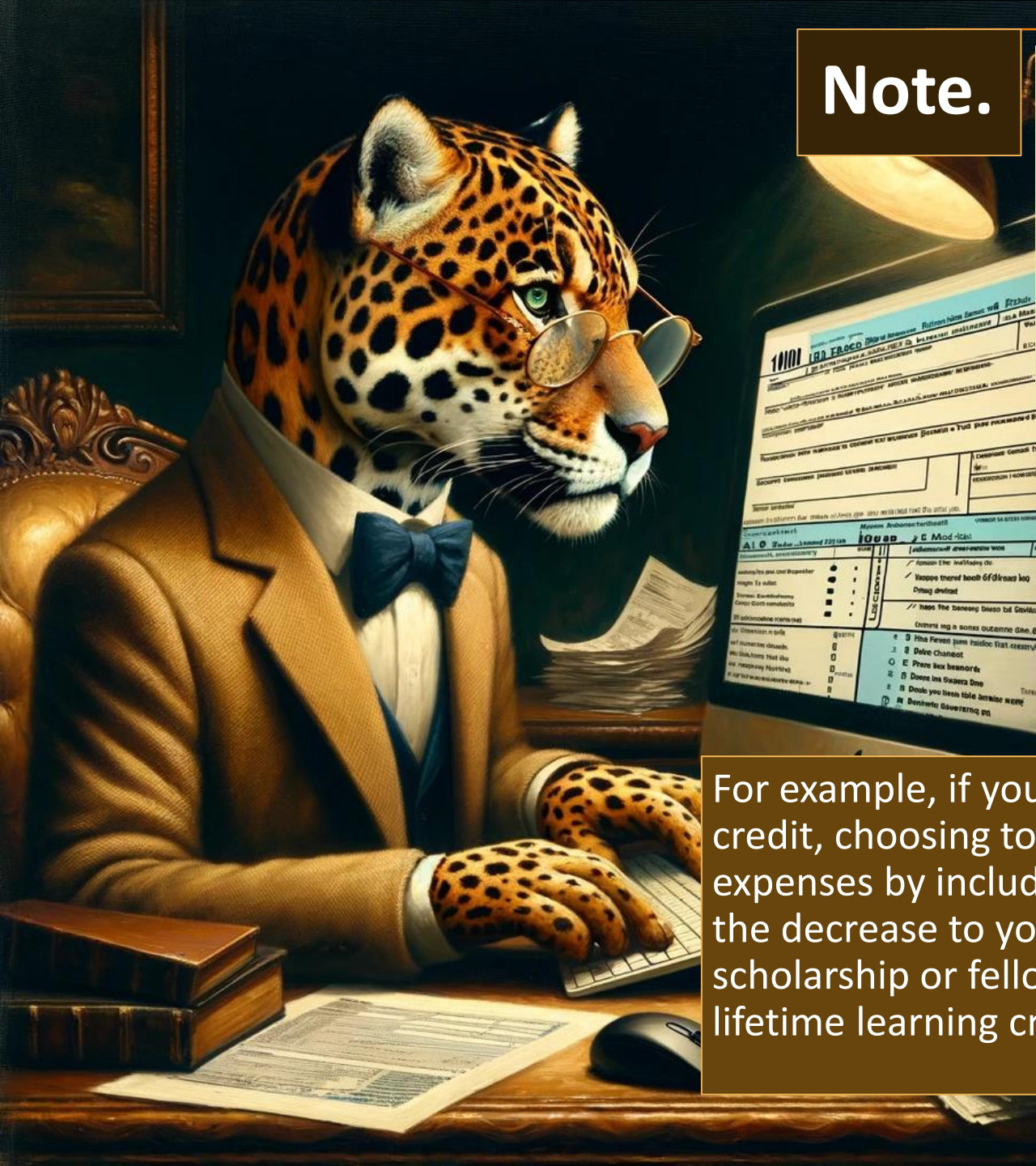
## ***Example 4—Scholarship applied by the postsecondary school to tuition.***

The facts are the same as in *Example 3—Scholarship included in income*, except the \$1,500 scholarship is paid directly to the public community college.

The fact that the public community college applies the scholarship to Judy's tuition and related fees doesn't prevent Judy from including the \$1,500 scholarship in income.

As in *Example 3*, by doing so, Judy will be deemed to have applied the entire scholarship to pay for room and board.

Judy could claim the \$900 lifetime learning credit and the tax liability after credits would be \$845.



## Note.

Whether you will benefit from applying a scholarship or fellowship grant to nonqualified expenses will depend on the amount of the student's qualified education expenses, the amount of the scholarship or fellowship grant, and whether the scholarship or fellowship grant may (by its terms) be used for nonqualified expenses.

Any benefit will also depend on the student's federal and state marginal tax rates as well as any federal and state tax credits the student claims. Before deciding, look at the total amount of your federal and state tax refunds or taxes owed and, if the student is your dependent, the student's tax refunds or taxes owed.

For example, if you are the student and you also claim the earned income credit, choosing to apply a scholarship or fellowship grant to nonqualified expenses by including the amount in your income may not benefit you if the decrease to your earned income credit as a result of including the scholarship or fellowship grant in income is more than the increase to your lifetime learning credit as a result of including this amount in income.

## Expenses That Don't Qualify

Qualified education expenses don't include amounts paid for:

Insurance;

Medical expenses (including student health fees);

Room and board;

Transportation;  
or

Similar personal, living,  
or family expenses.





**Sports, games, hobbies, and noncredit courses.**

Qualified education expenses generally don't include expenses that relate to any course of instruction or other education that involves sports, games, or hobbies, or any noncredit course.

However, if the course of instruction or other education is part of the student's degree program or is taken by the student to acquire or improve job skills, these expenses can qualify.

# Comprehensive or bundled fees.

Some eligible educational institutions combine all of their fees for an academic period into one amount. If you don't receive or don't have access to an allocation showing how much you paid for qualified education expenses and how much you paid for personal expenses, such as those listed above, contact the institution.

The institution is generally required to make this allocation and provide you with the amount you paid for qualified education expenses on Form 1098-T. See *Figuring the Credit*, later, for more information about Form 1098-T.







# Figuring the Credit

The amount of the lifetime learning credit is 20% of the first \$10,000 of qualified education expenses you paid for all eligible students. The maximum amount of lifetime learning credit you can claim for 2023 is \$2,000 (20% × \$10,000).

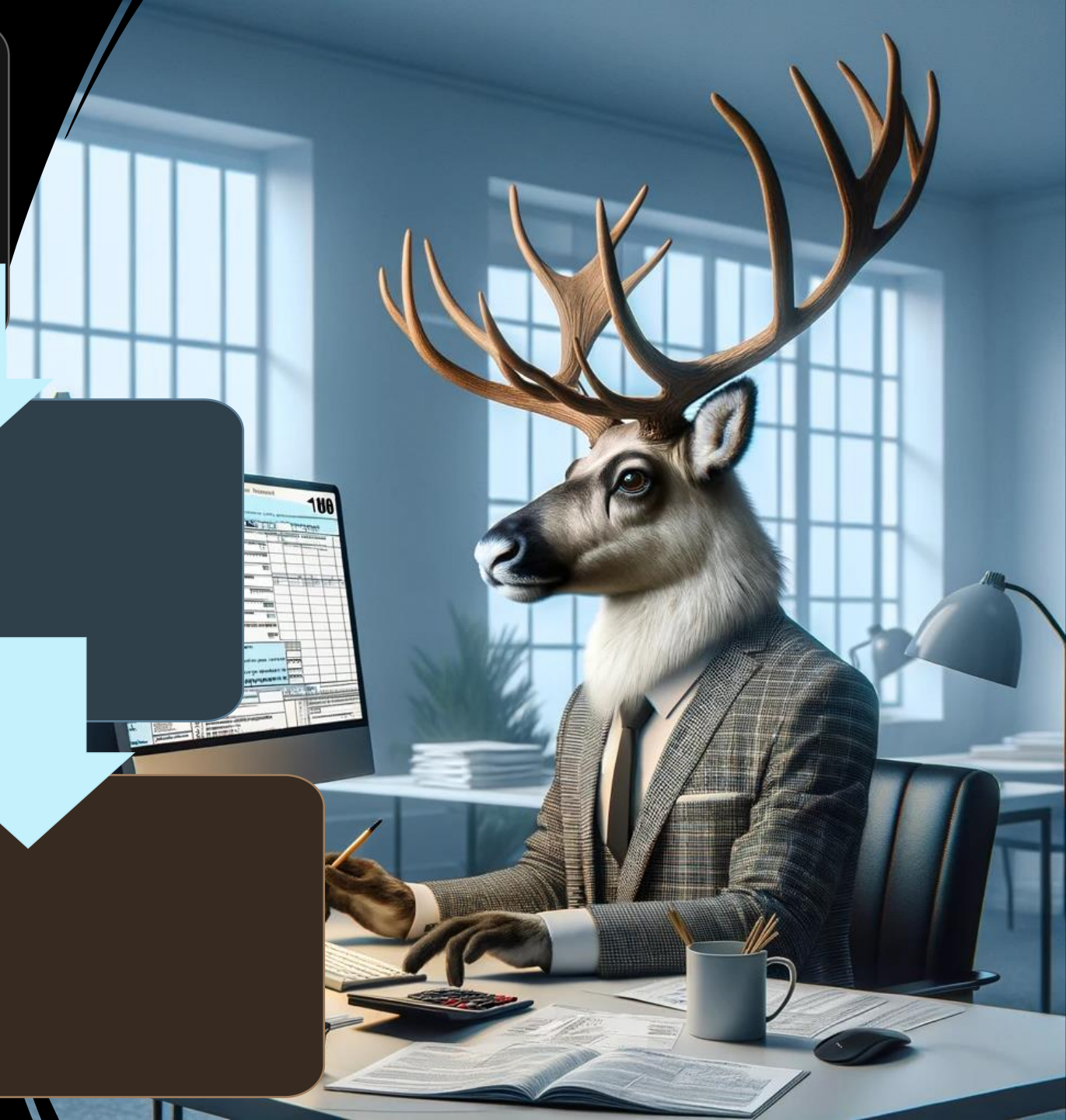
However, that amount may be reduced based on your MAGI. See *Effect of the Amount of Your Income on the Amount of Your Credit*, later.

However, that amount may be reduced based on your MAGI. See *Effect of the Amount of Your Income on the Amount of Your Credit*, later.

# *Example.*

Bruce and Toni are married and file a joint tax return. For 2023, their MAGI is \$75,000. Toni is attending a local college (an eligible educational institution) to earn credits toward a degree in nursing.

Toni already has a bachelor's degree in history and wants to become a nurse. In August 2023, Toni paid \$5,000 of qualified education expenses for the fall 2023 semester. Bruce and Toni can claim a \$1,000 ( $20\% \times \$5,000$ ) lifetime learning credit on their 2023 joint tax return.





# Form 1098-T.

To help you figure your lifetime learning credit, the student may receive Form 1098-T. Generally, an eligible educational institution (such as a college or university) must send Form 1098-T (or acceptable substitute) to each enrolled student by January 31, 2024.

An institution will report payments received (box 1) for qualified education expenses. However, the amount on Form 1098-T might be different from what you paid. When figuring the credit, use only the amounts you paid or are deemed to have paid in 2023 for qualified education expenses.

In addition, Form 1098-T should give other information for that institution, such as adjustments made for prior years, the amount of scholarships or grants, reimbursements or refunds, and whether the student was enrolled at least half-time or was a graduate student.

The eligible educational institution may ask for a completed Form W-9S or similar statement to obtain the student's name, address, and taxpayer identification number.



## Effect of the Amount of Your Income on the Amount of Your Credit

- The amount of your lifetime learning credit is phased out (gradually reduced) if your MAGI is between \$80,000 and \$90,000 (\$160,000 and \$180,000 if you file a joint return).
- You can't claim a lifetime learning credit if your MAGI is \$90,000 or more (\$180,000 or more if you file a joint return).

- For most taxpayers, MAGI is adjusted gross income (AGI) as figured on their federal income tax return.

**Modified  
adjusted gross  
income (MAGI).**



## ***MAGI when using Form 1040 or 1040-SR.***

If you file Form 1040 or 1040-SR, your MAGI is the AGI on line 11 of that form, modified by adding back any:

Foreign earned income exclusion,

Foreign housing exclusion,

Foreign housing deduction,

Exclusion of income by bona fide residents of American Samoa, and

Exclusion of income by bona fide residents of Puerto Rico.



## Worksheet 3-1. **MAGI for the Lifetime Learning Credit**

1. Enter your adjusted gross income  
(Form 1040 or 1040-SR, line 11) ..... 1. \_\_\_\_\_
2. Enter your foreign earned  
income exclusion and/or  
housing exclusion (Form  
2555, line 45) ..... 2. \_\_\_\_\_
3. Enter your foreign housing  
deduction (Form 2555,  
line 50) ..... 3. \_\_\_\_\_
4. Enter the amount of  
income from Puerto Rico  
you're excluding ..... 4. \_\_\_\_\_
5. Enter the amount of  
income from American  
Samoa you're excluding  
(Form 4563,  
line 15) ..... 5. \_\_\_\_\_
6. Add the amounts on  
lines 2, 3, 4, and 5 ..... 6. \_\_\_\_\_
7. Add the amounts on lines 1 and 6.  
This is your **modified adjusted gross  
income**. Enter this amount  
on Form 8863, line 14 ..... 7. \_\_\_\_\_

## Phaseout.

- If your MAGI is within the range of incomes where the credit must be reduced, you will figure your reduced credit using lines 10–18 of Form 8863.
- The same method is shown in the following example.





## Example.

You are filing a joint return with a MAGI of \$161,000. In 2023, you paid \$6,600 of qualified education expenses.

You figure the tentative lifetime learning credit (20% of the first \$10,000 of qualified education expenses you paid for all eligible students). The result is a \$1,320 (20% x \$6,600) tentative credit.

Because your MAGI is within the range of incomes where the credit must be reduced, you must multiply your tentative credit (\$1,320) by a fraction. The numerator (top part) of the fraction is \$180,000 (the upper limit for those filing a joint return) minus your MAGI.

The denominator (bottom part) is \$20,000, the range of incomes for the phaseout (\$160,000 to \$180,000). The result is the amount of your phased-out (reduced) lifetime learning credit (\$1,254).

$$\begin{array}{r} \$1,320 \quad \times \quad \frac{\$180,000 - \$161,000}{\$20,000} \quad = \quad \$1,254 \end{array}$$