

If 40 Is The New 30, Who Pays When I Return to School?

A Tax Fact from The Tax Institute at H&R Block

Remember when college was a four-year undertaking and graduate students were the only ones over 25? Remember when most graduates got their first job and stayed with the same company until retirement?

Today's careers and technologies often require even experienced professionals to polish their skills and update their knowledge. And not everyone in their early 20s will find that their first career sustains them for the next 40 or 50 years.

Today, people change careers more than ever to stay on top of the ever-more-digital job market of our new millennium. If you're among the growing number of non-traditional students picking up a class at your local college, here's some reassuring news - the Lifetime Learning credit may help offset your expenses.

How Can a Lifetime Learning Credit Help Me?

Unlike the Hope credit, which can be claimed only during a student's first two academic years, you may claim the Lifetime Learning credit for qualifying courses at the undergraduate, graduate, or professional level. Whether you attend an eligible institution on a full- or part-time basis, the credit is 20 percent of the first \$10,000 (up to \$2,000) you pay for eligible students in your family. You may use the credit on a yearly basis, and it can be applied even to prepaid expenses for the school year ahead.

Who Qualifies?

While the Lifetime Learning credit is flexible, it also has some restrictions. If you're single, the credit is phased out as your Adjusted Gross Income (AGI) reaches \$47,000 and completely disappears at \$57,000. If you're married and file jointly, the AGI phase-out range lies between \$94,000 and \$114,000. Taxpayers who file using the married filing separately status cannot take advantage of this credit.

Special Circumstances

For households with multiple students, the Lifetime Learning credit and Hope credit can be used simultaneously. And although you can't claim both credits for the same expenses - or even the same student - you can claim a Hope credit for each qualifying student and a lifetime learning credit for a different student's qualifying expenses. Just think of it! You could attend classes with your freshman triplets and earn up to \$6,950 in a Lifetime Learning credit for you and Hope tax credits for the triplets. Now that's pretty smart.

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