

## **American Opportunity Credit**

The American Opportunity Tax Credit, which expanded and renamed the already-existing Hope Credit, can be claimed for tuition and certain fees you pay for higher education in 2009 and 2010.

1. The American Opportunity Credit can be claimed for qualified expenses during the first four years of post-secondary education. This is an increase from the Hope Credit's regulations, which only allowed for expenses during the first two years.
2. The credit amount has increased to a maximum of \$2,500 – that's up \$700 from the Hope Credit's limit.
3. The term "qualified tuition and related expenses" has been expanded to include "course materials", which includes books, supplies and equipment needed for a course of study whether or not the materials are purchased from the educational institution as a condition of enrollment or attendance.
4. Expenses for purchasing a computer can be included in the tax credit if the computer is needed for enrollment or attendance at the educational institution.
5. Taxpayers qualifying for the credit must have a modified Adjusted Gross Income (AGI) of \$80,000 or less (\$160,000 or less for joint filers). The amount of the credit decreases for incomes greater than that, and phases out completely if the modified AGI is more than \$90,000 (\$180,000 for joint filers).