

- IMPORTANT TAX INFORMATION -

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

The following changes have been made to the Hope credit. The modified credit is also referred to as the American Opportunity Tax Credit.

- The maximum amount of the Hope credit increases to \$2,500 per student. The credit is phased out (gradually reduced) if your modified AGI is between \$80,000 and \$90,000 (\$160,000 and \$180,000 if you file a joint return).
- The Hope credit can now be claimed for the first four years of post-secondary education. Previously the credit could be claimed for only the first two years of post-secondary education.
- Generally, 40% of the Hope credit is now a refundable credit, which means that you can receive up to \$1,000 even if you owe no taxes. However, none of the credit is refundable if the taxpayer claiming the credit is a child (a) who is under age 18 (or a student who is at least age 18 and under age 24 and whose earned income does not exceed one-half of his or her own support), (b) who has at least one living parent, and (c) who does not file a joint return.
- The term “qualified tuition and related expenses” has been expanded to include expenditures for “course materials.” For this purpose, the term “course materials” means books, supplies, and equipment needed for a course of study whether or not the materials are purchased from the educational institution as a condition of enrollment or attendance.

ARRA also adds computer technology to the list of college expenses (tuition, books, etc.) that can be paid for by a qualified tuition program (QTP), commonly referred to as a 529 plan. For 2009 and 2010, the law expands the definition of qualified higher education expenses to include expenses for computer technology and equipment or Internet access and related services to be used by the designated beneficiary of the QTP or the beneficiary's family while the beneficiary is enrolled at an eligible educational institution.

For more information:

- On these provisions from the IRS, see [American Opportunity Credit](http://www.irs.gov/newsroom/article/0,,id=205674,00.html) on the IRS web site. (www.irs.gov/newsroom/article/0,,id=205674,00.html)
- Regarding Question and Answers from the IRS- (www.irs.gov/newsroom/article/0,,id=211309,00.html) or contact your CPA.
- About qualified education plans and the Hope Scholarship www.finaid.org/otheraid/hopescholarship.phtml