

September is the month when some of us or members of our household go back to School. This month's newsletter will cover several changes to Federal Education Credits effective in 2009.

"You better live your best and act your best and think your best today, for today is the sure preparation for tomorrow and all the other tomorrows that follow."

—Harriet Martineau,
English writer and philosopher

- The maximum amount of the Hope credit (renamed the American Opportunity Tax Credit or AOTC) increases to \$2,500 per student, this includes tuition PAID in 2009 and 2010 regardless of year tuition was accrued. The credit is phased out (gradually reduced) if your modified adjusted gross income (AGI) is between \$80,000 and \$90,000 (\$160,000 and \$180,000 if you file a joint return). Also, the AOTC credit can now be claimed for the first four years of post-secondary education as opposed to the old law which applied only to the first two.
- Generally, 40% of the AOTC 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 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), has at least one living parent, and 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, technology, 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.



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