

Dear RTP Student

The stimulus bill finally offers **you** some tax relief. Here it is:

American Opportunity Tax Credit

Under the American Recovery and Reinvestment Act (ARRA) signed into law by the President on **February 17, 2009**, textbook and other course material expenses incurred in **2009 and 2010** that are not covered by scholarship or grant aid may be counted towards the newly created tax credit called the **American Opportunity Tax Credit** on that year's tax return.

According to the **IRS**, the new credit temporarily replaces and expands the previous Hope Credit for tax years 2009 and 2010, making the **American Opportunity Tax Credit** available to a broader range of taxpayers, including many with higher incomes **and those who owe no tax**. It also:

- Adds required **course materials** to the list of **qualifying expenses (books, criterion, lab fees)**
- Allows the credit to be claimed for the first four post-secondary education years instead of **two**

Most of those eligible will qualify for the maximum annual credit of **\$2,500** per student, which is more than \$700 higher than the old Hope Credit, and, **for the first time**, will provide a partial refund of up to **\$1,000**.

For example:

If you or your student has out-of-pocket course material expenses or tuition and fees during 2009 or 2010 and no other financial grant aid covers those expenses, you will be able to claim the expenses as a credit. For each student the credit is limited to \$2,500.

Let's say your federal tax liability for 2009 is \$2,000 before the **American Opportunity Tax Credit** and your student had \$5,000 in allowable higher education expenses. The first \$2,000 in out-of-pocket textbook purchases, tuition, and fees goes towards your tax credit at 100%. Everything over that is allowable at 25% up to a total credit per student of \$2,500. You would have a credit of \$2,000 plus \$500 of the remaining \$3,000 (25% of the expenses over \$2,000 up to an extra \$500 credit). Because this credit is partially refundable, the \$2,500 credit results in a refund of \$500! If your 2009 tax liability is zero and your student's textbook credits were \$2,500, you can receive a refund of \$1,000 because the credit is 40% percent refundable ($.40 \times \$2,500 = \$1,000$).

Here's what it can mean to you:

Example: If you take 24 credit hours during 2009 and 2010 the cost per credit may be dramatically reduced:

| | | <u>Net cost per credit</u> |
|--|----------|----------------------------|
| 24 credits @ \$260 per credit (full time student) | \$ 6,240 | \$ 260 |
| Less: North Carolina Legislative Tuition Grant (NCLTG) | \$ 1,850 | \$ 184 |
| Less: American Opportunity Tax Credit (AOTC) | \$ 2,500 | \$ 79 |

This is why Lee Drum coined the website phrase:

"A Private School Education without the Private School cost".

The **American Opportunity Credit (AOTC)** is a welcome relief to our current students. It could also be a **fantastic opportunity for your family members, friends, co-workers and others.** **We encourage you to spread the word about the potential impact of the NCLTG and the AOTC.**

Remember \$79 per credit hour