

## The Stimulus Bill finally offers you some tax relief

### American Opportunity Tax Credit

Under the American Recovery and Reinvestment Act (ARRA) signed into law by President Obama 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**

24 credits @ \$260 per credit (full time student)	\$ (6,240)	<u>Net cost per credit</u>
Less: North Carolina Legislative Tuition Grant (NCLTG)	\$(1,850)	\$260
Less: American Opportunity Tax Credit (AOTC)	\$(2,500)	\$183
		<b>\$79*</b>

**This 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

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