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American Opportunity Tax Credit

The American opportunity tax credit (AOTC) is a credit for qualified education expenses paid for an eligible student for the first four years of higher education. You can get a maximum annual credit of \$2,500 per eligible student. If the credit brings the amount of tax you owe to zero, you can have 40 percent of any remaining amount of the credit (up to \$1,000) refunded to you.

The amount of the credit is 100 percent of the first \$2,000 of qualified education expenses you paid for each eligible student and 25 percent of the next \$2,000 of qualified education expenses you paid for that student.

Who is an eligible student for AOTC?

To be eligible for AOTC, the student must:

- Be pursuing a degree or other recognized education credential,
- Be enrolled at least half time for at least one academic period* beginning in the tax year,
- Not have finished the first four years of higher education at the beginning of the tax year,
- Not have claimed the AOTC or the former Hope credit for more than four tax years, or
- Not have a felony drug conviction at the end of the tax year.

***Academic Period** can be semesters, trimesters, quarters or any other period of study such as a summer school session. The schools determine the academic periods. For schools that use clock or credit hours and do not have academic terms, the payment period may be treated as an academic period.

Claiming the credit

To be eligible to claim the AOTC or the lifetime learning credit (LLC), the law requires a taxpayer (or a dependent) to have received Form 1098-T, Tuition Statement, from an eligible educational institution, whether domestic or foreign. [Generally, students receive a Form 1098-T PDF Tuition Statement, from their school by January 31.](#)

If you received a Form 1098-T, this statement will help you figure your credit. The form will have an amount in box 1 to show the amounts received during the year. But this amount may not be the amount you can claim. See qualified education expenses in Publication 970 PDF, Tax Benefits for Education, for more information on what amount to claim.



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Check the Form 1098-T to make sure it is correct. If it isn't correct or you do not receive the form, contact your school.

If you did not receive a Form 1098-T, you may still be eligible to claim a credit because the student's educational institution isn't required to furnish Form 1098-T to the student under existing rules, for example if the student:

- is a qualified nonresident alien,
- has qualified education expenses paid entirely with scholarships,
- has qualified education expenses paid under a formal billing arrangement, or
- is enrolled in courses for which no academic credit is awarded.

If a student's educational institution isn't required to provide Form 1098-T to the student, you may claim a credit without Form 1098-T if you otherwise qualify by showing that you (or a dependent) were enrolled at an eligible educational institution and can substantiate the payment of the qualified tuition and related expenses.

To claim AOTC, you must complete the Form 8863 PDF and attach the completed form to your tax return.

Be careful claiming the AOTC

Make sure you are qualified before claiming the credit and make sure you keep copies of all the documents you used to find out if you qualify and determine the amount of your credit.

If the IRS audits your return and finds your AOTC claim is incorrect and you don't have the documents to show you qualified,

- you must pay back the amount of the AOTC you received in error with interest,
- you may also be charged an accuracy or a fraud penalty or
- you can be banned from claiming the AOTC for two to ten years.

If your AOTC claim was disallowed in a previous tax year, you may need to file Form 8862 PDF before claiming the credit in future tax years. See [My EITC, CTC/ACTC and/or My AOTC was Disallowed Previously and Now I Want To Claim It](#) for more information.



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Valid TIN before the due date of the return

You may not claim the AOTC unless you, your spouse (if you are filing a joint return) and the qualifying student have a valid taxpayer identification number (TIN) issued or applied for on or before the due date of the return (including extensions). A TIN is a Social Security number, an individual taxpayer identification number (ITIN) or an adoption taxpayer identification number (ATIN).

You may not claim the AOTC on a later original return or an amended return if the TIN is issued on or applied for after the due date of the return (including extensions).

To ensure you receive the benefit of the AOTC if you qualify for it, you should timely obtain the required TIN.

What are the income limits for AOTC?

- To claim the full credit, your modified adjusted gross income (MAGI) must be \$80,000 or less (\$160,000 or less for married filing jointly).
- You receive a reduced amount of the credit if your MAGI is over \$80,000 but less than \$90,000 (over \$160,000 but less than \$180,000 for married filing jointly).
- You cannot claim the credit if your MAGI is over \$90,000 (\$180,000 for joint filers).

MAGI for most people is the amount of adjusted gross income (AGI), shown on your tax return. If you file Form 1040, you add the following amounts to your AGI:

- Foreign earned income exclusion,
- Foreign housing exclusion,
- Foreign housing deduction,
- Exclusion of income by bona fide residents of American Samoa, or of Puerto Rico