

### American Opportunity Tax Credit (revised Hope Credit)

To encourage college enrollment the American Recovery and Reinvestment Act enlarged the scope of the Hope Tax Credit program. This expansion is temporary, in tax years 2009 and 2010 only, for both lower and upper income limits. The amount of the credit is increased to \$2,500 from \$1,800. New York State is estimated to have approximately 295,000 possible additional students using this program (with an error of +/- 32,600).

- What:** Tax credit (not a deduction); subtract the credit from the amount of federal tax owed. Calculated per individual/student/dependent person for a maximum of four years; Rate is 100% of first \$2,000 and 25% of next \$2,000 for maximum \$2,500 amount; cannot claim for expenses covered under 529 Plan, Lifetime Learning Credit or Coverdell Account
- When:** Only in tax (not calendar) years 2009 and 2010; credit paid after tax filing.
- Who:** Individuals with AGI up to \$80,000 with phasing out to \$90,000  
Families with AGI up to \$160,000 phasing out to \$180,000;  
40% of AOTC is refundable to a maximum of \$1,000 so available to households with little or no tax liability
- Covers:** Eligible expenses are school tuition, books, required supplies and equipment; any activity fees or costs required for enrollment or attendance for an undergraduate degree or other credential program; not graduate school (differs from other programs which only cover tuition)
- Where:** At qualified educational institutions
- Caveat:** Students may claim only one program: American Opportunity Tax Credit (Hope), Lifetime Learning or other programs; LL has no limit on the number of years it can be claimed but is a credit per tax return not per student. LL has no restrictions for felony drug convictions as does the AOTC (Hope)
- Comment:** The credit will benefit students planning to attend college. It may replace student loans, but the lag in payment may not be a stimulus to the economy. Also, it is possible colleges will increase tuition, especially with reduced funding and endowments due to economic circumstances. The impact on the additional enrollment of low-income students is moot.