

Introduction

What is the tax benefit of the lifetime learning credit. For the tax year, you may be able to claim a lifetime learning credit of up to \$2,000 for qualified education expenses paid for all eligible students. There is no limit on the number of years the lifetime learning credit can be claimed for each student.

A tax credit reduces the amount of income tax you may have to pay. Unlike a deduction, which reduces the amount of income subject to tax, a credit directly reduces the tax itself. The lifetime learning credit is a nonrefundable credit. This means that it can reduce your tax to zero, but if the credit is more than your tax the excess will not be refunded to you.

Your allowable lifetime learning credit may be limited by the amount of your income and the amount of your tax.

Who Can Claim the Credit

Generally, you can claim the lifetime learning credit if all three of the following requirements are met.

- You pay qualified education expenses of higher education.
- You pay the education expenses for an eligible student.
- The eligible student is either yourself, your spouse, or a dependent for whom you claim an exemption on your tax return.

Table 3-1. Overview of the Lifetime Learning Credit

Maximum credit	Up to \$2,000 credit per return
Limit on modified adjusted gross income (MAGI)	\$122,000 if married filing jointly; \$61,000 if single, head of household, or qualifying widow(er)
Refundable or nonrefundable	Nonrefundable—credit limited to the amount of tax you must pay on your taxable income
Number of years of postsecondary education	Available for all years of postsecondary education and for courses to acquire or improve job skills
Number of tax years credit available	Available for an unlimited number of years
Type of degree required	Student does not need to be pursuing a degree or other recognized education credential
Number of courses	Available for one or more courses
Felony drug conviction	Felony drug convictions are permitted
Qualified expenses	Tuition and fees required for enrollment or attendance (including amounts required to be paid to the institution for course-related books, supplies, and equipment)
Payments for academic periods	Payments made in 2011 for academic periods beginning in 2011 or beginning in the first 3 months of 2012

Note. Qualified education expenses paid by a dependent for whom you claim an exemption, or by a third party for that dependent, are considered paid by you.

Qualified Education Expenses

For purposes of the lifetime learning credit, qualified education expenses are tuition and certain related expenses required for enrollment in a course at an eligible educational institution. The course must be either part of a postsecondary degree program or taken by the student to acquire or improve job skills.

Eligible educational institution. An eligible educational institution is any college, university, vocational school, or other postsecondary educational institution eligible to participate in a student aid program administered by the U.S. Department of Education. It includes virtually all accredited public, nonprofit, and proprietary (privately owned profit-making) postsecondary institutions. The educational institution should be able to tell you if it is an eligible educational institution.

Certain educational institutions located outside the United States also participate in the U.S. Department of Education's Federal Student Aid (FSA) programs.

Related expenses. Student-activity fees and expenses for course-related books, supplies, and equipment are included in qualified education expenses only if the fees and expenses must be paid to the institution for the enrollment or attendance.

Who Is an Eligible Student

For purposes of the lifetime learning credit, an eligible student is a student who is enrolled in one or more courses at an eligible educational institution (as defined under [Qualified Education Expenses](#), earlier).

Who Can Claim a Dependent's Expenses

If there are qualified education expenses for your dependent during a tax year, either you or your dependent, but not both of you, can claim a lifetime learning credit for your dependent's expenses for that year.

For you to claim a lifetime learning credit for your dependent's expenses, you must also claim an exemption for your dependent. You do this by listing your dependent's name and other required information on Form 1040 (or Form 1040A), line 6c.

IF you...	THEN only...
claim an exemption on your tax return for a dependent who is an eligible student	you can claim the lifetime learning credit based on that dependent's expenses. The dependent cannot claim the credit.
do not claim an exemption on your tax return for a dependent who is an eligible student (even if entitled to the exemption)	the dependent can claim the lifetime learning credit. You cannot claim the credit based on this dependent's expenses.

Expenses paid by dependent. If you claim an exemption on your tax return for an eligible student who is your dependent, treat any expenses paid (or deemed paid) by your dependent as if you had paid them. Include these expenses when figuring the amount of your lifetime learning credit.

Claiming the Credit

You claim the lifetime learning credit by completing Parts II and IV of Form 8863 and submitting it with your Form 1040 or 1040A. Enter the credit on Form 1040, line 49, or Form 1040A, line 31. A filled-in Form 8863 is shown at the end of this chapter.