

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. But, if the credit pays your tax down to zero, you can have 40 percent of the remaining amount of the credit (up to \$1,000) refunded to you.

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
- 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

Generally, students receive a [Form 1098-T](#) Tuition Statement, from their school by January 31. This statement helps you figure your credit. The form will have an amount in either box 1 or 2 to show the amounts received or billed during the year. But, this amount may not be the amount you can claim. See qualified education expenses for more information on what amount to claim.

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.

To claim AOTC, you must complete the [Form 8863](#) and attach the completed form to your Form 1040 or Form 1040A.

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. The IRS may also charge you an accuracy or a fraud penalty. Or, you can be banned from claiming the AOTC for two to ten years.

If your tax year 2016 AOTC claim is disallowed in 2017, you may need to file the [Form 8862](#) before claiming the credit again in future tax years. The Form 8862, *Information to Claim Earned Income Credit After Disallowance*, is being revised for use beginning in 2018 to include not only EIC, but also CTC/ACTC and AOTC. See [My EITC, CTC/ACTC and/or My AOTC was Disallowed Previously and Now I Want To Claim It](#) for more information.

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 your 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 MAGI,* modified adjusted gross income 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 AGI, adjusted gross income, shown on your tax return. On Form 1040A, AGI is on line 22 and is the same as MAGI.

If you file Form 1040, you add the following amounts to AGI (line 38):

- Foreign earned income exclusion,
- Foreign housing exclusion,
- Foreign housing deduction,
- Exclusion of income by bona fide residents of American Samoa, or of Puerto Rico.
- If you need to adjust your AGI to find your MAGI, there are worksheets in the [Publication 970](#) to help you.