**Tax Credits that Can Help Lower College Costs**

Are you looking for ways to minimize the costs of higher education? The average cost of tuition and fees for a four-year college education can range from about $40,000 for in-state students at a public college to nearly $135,000 at a private one, according to College Board data. Fortunately, there are some tax laws that can help lower your outlays. The \_\_\_\_\_\_\_\_\_\_ Society of CPAs offers a rundown of what you need to know.

**All about the AOTC**

There are two important tax credits that can help with the cost of higher education expenses if you qualify for them. The first is the American Opportunity Tax Credit (AOTC), a tax credit of up to $2,500 of the cost of tuition, fees and course materials paid during the tax year. Room and board, transportation, insurance, medical expenses and fees beyond those required as a condition of enrollment or attendance at an eligible education institution are not considered qualified expenses. You can generally receive the credit if you, your spouse or your dependent were enrolled at least half time in a college program leading toward a degree, certificate or other recognized educational credential for at least one academic period during the tax year, and had not completed the first four years of college education at the beginning of the tax year. To qualify for the full credit, your modified adjusted gross income must be $80,000 or less ($160,000 or less if married filing jointly). You may be eligible for a reduced credit if your income is less than $90,000 (below $180,000 if filing jointly). The AOTC is available for up to four years of qualifying expenses. At press time it was set to expire on December 31, 2017, but Congress has extended the credit in the past.

**The Lifetime Learning Credit**

There are several important differences between the AOTC and another valuable option, the Lifetime Learning Credit (LLC). The LLC is a tax credit for the cost of tuition and fees not only for undergraduate but also for graduate and professional degrees at an eligible institution, as well as for courses that will help you get or improve job skills. To be eligible for the credit, you, your spouse or your dependent can be enrolled in as few as one course at a time. In addition, there’s no limit on how many years you can take the credit, so it can come in handy for many educational needs. The LLC provides up to $2,000 per taxpayer and the income limits differ from those for the AOTC. To qualify for the full LLC, your modified adjusted gross income must be $54,000 or less ($108,000 or less for those married filing jointly). You may be eligible for a reduced credit if your income is less than $64,000 ($128,000 for those filing jointly). One important fact to remember: Taxpayers aren’t allowed to take both the AOTC and the LLC credits in the same tax year.

**Beyond Credits**

If you don’t qualify for either of these credits, there’s another tax-advantaged option that can help you manage college costs, but it will require some advance planning. A 529 college savings plan allows you to invest money that can earn interest and dividends tax free, as long as you spend the money for qualifying expenses at an eligible educational institution. There are no income limits on who can start a plan, but plans will have varying lifetime contribution limits. You can choose among different plans and investment options, and you can change your investment up to twice each calendar year. The sooner you begin using a 529 plan to save for college, the greater your chances to build tax-free interest and dividends over time.

**Your Local CPA Can Help**

Not sure how to manage your family’s college planning needs? Be sure to turn to your local CPA. He or she can offer customized advice on all your financial questions.