



# EDUCATION TAX CREDITS



Parents and students should look into tax credits that can help with the cost of higher education. CPAs can do this by reducing the amount of tax someone owes on their tax return. If the credit reduces tax to less than zero, the taxpayer may get a refund. Taxpayers who pay for higher education in 2025 can see these tax savings when they file their tax returns next year.

If taxpayers, their spouses, or their dependents take post-high school coursework, they may be eligible for a tax benefit. There are two credits available to help taxpayers offset the costs of higher education. The **American Opportunity Tax Credit** and the **Lifetime Learning Credit** may reduce the amount of income tax owed. Taxpayers use Form 8863, Education Credits, to claim the credits. To be eligible to claim the American Opportunity Tax Credit, or the Lifetime Learning Credit, a taxpayer or a dependent must have received a Form 1098-T from an eligible educational institution.

Feature	American Opportunity Tax Credit (AOTC)	Lifetime Learning Credit (LLC)
Max Benefit	Up to <b>\$2,500</b> per eligible student	Up to <b>\$2,000</b> per tax return (regardless of the number of students)
Who Qualifies?	Undergraduate students only	Anyone taking postsecondary education or job-skill courses
Years Available?	First <b>four years</b> of college	Unlimited—no limit on number of years
Degree Requirement?	Must be pursuing a degree or recognized education credential	Does <b>not</b> require a degree program
Refundable?	<b>Partially refundable</b> —40% (up to \$1,000) refundable if the credit brings tax owed to zero	<b>Non-refundable</b> —can only reduce the tax owed to zero
How to Claim?	IRS <b>Form 8863</b> + <b>Form 1098-T</b> from an eligible school	IRS <b>Form 8863</b> + <b>Form 1098-T</b> from an eligible school