

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

Increase Prevention Act of 2014 (TIPA) – parents with children in college have not one, not two, but three tax breaks to choose from on their 2014 returns. But some of your upper

Mar. 04, 2015



Thanks to the new tax extenders law passed at the end of last year – the Tax Increase Prevention Act of 2014 (TIPA) – parents with children in college have not one, not two, but three tax breaks to choose from on their 2014 returns. But some of your upper-income clients will be completely shut out.

Even if you qualify, you can only elect one of these three tax breaks for higher

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

it disappears completely. Joint filers may deduct \$4,000 for a MAGI up to \$130,000 and \$2,000 for a MAGI between \$130,000 and \$160,000. No deduction for joint filers is allowed above the \$160,000 threshold.

The tuition-and-fees deduction technically expired after 2014, but was retroactively reinstated by TIPA to the beginning of 2014. As of now, the deduction has not been extended to 2015.

2. American Opportunity Tax Credit: With the American Opportunity Tax Credit (AOTC), parents may reduce their tax liability on a dollar-for-dollar basis, up to a maximum credit of \$2,500. The AOTC is available for each student in the family. Thus, if parents have two kids in college at the same time, they may claim a \$5,000 credit for 2014.

However, the AOTC is also phased out based on MAGI. The phaseout range is between \$80,000 to \$90,000 of MAGI for single filers and \$160,000 to \$180,000 for joint filers before it disappears completely. Currently, this credit is on the books through 2017.

3. Lifetime Learning Credit : The Lifetime Learning Credit (LLC), which is based on a permanent provision in the tax law, doesn't have to be periodically extended. However, the maximum \$2,000 credit is applied on a per-taxpayer basis., regardless of the number of students in school at the same time.

Also, the LLC is phased out at relatively low income levels. The phase-out range is between \$55,000 to \$65,000 of MAGI for single filers and \$110,000 to \$130,000 for joint filers. These figures are not indexed for inflatoion.

Do the math. Although each situation is different, the AOTC usually wins out. For example, suppose our parents with two children in college have a MAGI of \$100,000.

They can claim either a \$4,000 tuition-and-fees deduction, a maximum \$5,000

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

Accounting • Income Tax

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved