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([This is part of our series of “sweet 16” year-end tax planning ideas.](#))

As year-end approaches, clients with children in college should be advised to “take what they can get.” For middle-to-upper income parents, the two higher education credits in the tax code are phased out based on modified adjusted income (MAGI). And the tuition-and-fees deduction, which was previously available to some of these parents, expired after 2014. At this point, it is uncertain whether Congress will restore it before the end of the year.

If a client is still eligible for tax break for higher education expenses, accelerating expenses from 2016 into 2015 may increase the size of the tax benefit. But before we explore that year-end opportunity, here is a quick primer on the three main tax breaks for higher education expenses.

1. American Opportunity Tax Credit (AOTC): The AOTC, which was called the Hope Scholarship credit in a previous reincarnation, has been extended through 2017. The maximum annual credit is \$2,500. Notably, the AOTC may be claimed for every student in the family. For example, if you have two kids in college at the same time, the maximum credit for the family is \$5,000. Also, the credit is currently available for four year in college. In the past, it was limited two years.

However, the AOTC for 2015 is phased out for single filers between \$80,000 of \$90,000 of MAGI. The phaseout range for joint filers is between \$160,000 and \$180,000 of MAGI. Note that these amounts are not indexed for inflation.

2. Lifetime Learning Credit (LLC): The tax law provision for LLC is permanent, so

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3. Tuition-and-fees deduction: Previously, you could claim an above-the-line deduction of \$4,000 or \$2,000 for tuition and related fees. (There was no in-between or other deduction amounts allowed.) The \$4,000 deduction for single filers was available for a MAGI up to \$65,000, while the \$2,000 deduction could be claimed for an MAGI between \$65,000 and \$80,000. The \$4,000 deduction for joint filers was limited to those with an MAGI up to \$130,000. Joint filers with an MAGI between \$130,000 and \$160,000 could claim the \$2,000 deduction.

As mentioned above, the tuition-and-fees deduction is currently in limbo. After being extended multiple times in the past, the deduction officially expired again after 2014. It could be reinstated retroactively, but there are no guarantees.

In any event, a taxpayer can only claim one of the two credits or the deduction, but not any combination of these three tax breaks.

Assuming a client will benefit from one of these tax breaks – a credit or the deduction, if it is restored – it may make sense to move up expenses into 2015. Say that the next semester for a college student begins in January. By paying the tuition bill in December, you can add to the expenses eligible for a higher education tax break this year. Conversely, if you've already maxed out for 2015, you might delay payment until 2016. Consider all the tax implications for your clients' returns.

Income Tax

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