

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



# TAX CREDITS

Currently, a taxpayer may claim one of two education credits – the American Opportunity Tax Credit (AOTC) or the Lifetime Learning Credit (LLC) — for qualified expenses. However, as a new case shows, expenses must be paid to an eligible education institution. The parents in the new case claimed a credit for costs of their daughter attending a dog grooming school (Martin, TC Sum. Op. 2017-73, 9/7/17).

For most taxpayers, the AOTC is preferable to the LLC. Here's a brief review of these two tax breaks.

## 1. American Opportunity Tax Credit (AOTC): With the AOTC, which was called the

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

opposed to the maximum \$2,500 AOTC. Also, the maximum LLC credit applies to each taxpayer, not on the basis of each student. Finally, the LLC is phased out at even lower levels than the AOTC. The phase-out range for 2017 is \$56,000 to \$66,000 of MAGI for single filers and \$112,000 to \$132,000 for joint filers.

However, to qualify for the credit, the student must be enrolled at least half-time at an eligible institution. According to the IRS, an eligible institution is a school offering higher education beyond high school. It includes any college, university, vocational school or other post secondary educational institution eligible to participate in a student aid program run by the U.S. Department of Education. This encompasses most accredited public, nonprofit and private for-profit postsecondary institutions.

In the new case, a couple's daughter was enrolled at Capital University in Ohio. Sometime in December 2012 she left Ohio and moved back to Virginia. In March 2013 she enrolled in one course at Northern Virginia Community College (NVCC) in Virginia. She remained at NVCC for one month.

In May of 2013 the daughter enrolled as a full-time student at Canine Clippers, a trade school in Virginia. She earned a certificate in dog grooming after completing her studies there.

The parents claimed the AOTC for their daughter. But the Tax Court dismissed the claim that the daughter was enrolled half-time at the community college where she attended only one course. In addition, the dog grooming school does not qualify as an eligible institution for purposes of the higher education credit. Accordingly, the credit is denied.

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