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Consider the following four tax breaks that are currently on the books.

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It costs a pretty penny to send a child to college these days. At least parents may be in line for some tax relief for higher education expenses paid or incurred in 2020.

Consider the following four tax breaks that are currently on the books.

1. American Opportunity Tax Credit (AOTC): This credit went through a few iterations before becoming a permanent part of the tax code. Now you can claim a maximum AOTC of \$2,500 for qualified expenses—such as tuition, room and board, fees, supplies and equipment—during the first four years of study.

However, the credit is subject to a phase-out, based on your modified adjusted gross income (MAGI). For 2020, the phaseout range is between \$80,000 and \$90,000 of

MAGI for single filers; \$160,000 and \$180,000 for joint filers.

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- The LLC is phased out at lower levels than the AOTC. For 2020, the phase-out range is between \$59,000 of \$69,000 of MAGI for single filers; \$118,000 of \$138,000 for joint filers.

Tax decision: You can claim either one of the credits, but not both. Take a close look at tax return time, but you usually come out ahead with the AOTC.

3. Tuition-and-fees deduction: This above-the-line deduction, which has expired and been revived multiple times, is currently available through 2020. But you can't claim this deduction if you take either one of the two higher education credits discussed above.

Depending on your MAGI, the deduction is either \$4,000 or \$2,000. For single filers, the \$4,000 deduction is available for a MAGI up to \$65,000. It is \$2,000 between \$65,000 and \$80,000. Joint filers can deduct \$4,000 for a MAGI up to \$130,000. It falls to \$2,000 if MAGI is between \$130,000 and \$160,000. No deduction is available above the upper thresholds.

Expect Congress to revisit the tuition-and-fees deduction soon. It is likely to be reinstated again for 2021, but there are no guarantees.

4. Student loan interest deduction: Congress relaxed the rules for repaying student debt in 2020. Nevertheless, if you paid interest on a loan this year, you can still deduct the payments up to a maximum of \$2,500. Like the write-off for tuition and fees, this deduction is claimed above the line.

Caution: The deduction for student loan interest is also phased out. For 2020, the phase-out range for single filers is between \$70,000 and \$85,000 of MAGI; between \$140,000 and \$170,000 of MAGI for joint filers.

Finally, this deduction is only available to the taxpayer obligated to repay the loan.

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