

# A COMPARISON OF EDUCATION TAX CREDITS FOR 2023

The Tax Code includes two credits that can help taxpayers reduce higher-education costs: the American Opportunity Tax Credit (AOTC) and the Lifetime Learning Credit (LLC).

The two credits have many things in common, but there are some key differences. The following chart compares them.

	AMERICAN OPPORTUNITY TAX CREDIT	LIFETIME LEARNING CREDIT
<b>What is the maximum credit?</b>	\$2,500 per eligible student per year	\$2,000 per tax return
<b>How do you calculate the credit?</b>	100% of the first \$2,000 of qualified education expenses, 25% of the next \$2,000	20% of the first \$10,000 of qualified education expenses
<b>Is the credit refundable?</b>	Yes, up to 40% of the credit	No
<b>Which filing statuses are eligible for the credit?</b>	All except Married Filing Separately	
<b>At what 2023 Modified Adjusted Gross Income (MAGI) limit does the credit fully phase out?</b>	Married Filing Jointly: \$180,000 Married Filing Separately: N/A — ineligible All others: \$90,000	
<b>Is the credit available if the taxpayer is a dependent on someone else's return?</b>	No	
<b>Is there a citizenship requirement?</b>	Taxpayer or spouse must be a U.S. citizen or resident alien	
<b>What are the program requirements?</b>	<ul style="list-style-type: none"> <li>• Student must be pursuing a degree or other recognized education credential</li> <li>• Student cannot have completed their first four years of postsecondary education at the start of the tax year</li> </ul>	<ul style="list-style-type: none"> <li>• Student does not need to be pursuing a degree or credential</li> <li>• Student can claim credit for courses taken to acquire or improve job skills</li> </ul>
<b>What are the enrollment requirements?</b>	Student must be enrolled at least half-time for at least one academic period during the tax year	Student must be taking one or more courses

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	AMERICAN OPPORTUNITY TAX CREDIT	LIFETIME LEARNING CREDIT
<b>How many years can the credit be claimed per student?</b>	No more than four tax years	Unlimited
<b>What expenses qualify for the credit?</b>	<ul style="list-style-type: none"> <li>• Tuition</li> <li>• Enrollment fees</li> <li>• Course-related books, supplies, and equipment when needed as a condition of enrollment (whether purchased from the educational institution or from an outside vendor)</li> </ul>	<ul style="list-style-type: none"> <li>• Tuition</li> <li>• Enrollment fees</li> <li>• Course-related books, supplies, and equipment when needed as a condition of enrollment (<i>only if</i> purchased from the educational institution)</li> </ul>
<b>For whom can a taxpayer claim the credit?</b>	<ul style="list-style-type: none"> <li>• Self</li> <li>• Spouse</li> <li>• A student the taxpayer claims as a dependent for tax purposes</li> </ul>	
<b>Taxpayer can claim the credit for qualified expenses paid by:</b>	<ul style="list-style-type: none"> <li>• Self</li> <li>• Spouse</li> <li>• Student</li> <li>• A third party</li> </ul>	
<b>Does the tax credit expire?</b>	No, it is a permanent fixture in the Tax Code	

It is possible to file a return that claims both the AOTC and the LLC, but they must be for different students and different expenses. If you have expenses that qualify for both credits, the AOTC is generally more valuable.

You also cannot claim either credit for expenses that were paid using a tax-free distribution from a 529 plan. Carefully document your payments to show that different expenses are being used to justify an education tax credit and a 529 tax-free distribution.

To learn more about how tax credits can help you afford education costs, and how to weigh the benefits of different credits and education savings plans, [please contact your CRI tax advisor.](#)