



# How to get a \$2,500 tuition rebate

By Kim Clark, U.S. News & World Report

Presented by **AZ College Consulting**, LLC

*Before any implementations of any of these ideas, please consult a CPA for the tax strategies and consult AZ College Consulting, LLC to see how these things would affect your EFC (Expected Family Contribution, the dollar amount the Fed. Government expects you to pay for college for your child.)*

It sounds too good to be true, but if you meet income qualifications (and are careful with any 529 savings accounts), Uncle Sam is prepared to help cover college bills.

Millions of students and parents struggling to raise cash for college this fall could have a happy surprise early next year: a tax credit of up to \$2,500.

The new higher-education tax credit, which was part of the stimulus bill signed into law in February, is expected to put hundreds, if not thousands, of dollars into the pockets of millions of Americans who write tuition checks this year. Better yet, students don't have to fill out any extra financial-aid applications to get the new money. They just file their tax returns.

"This will definitely help people," says Jackie Perlman, an analyst for H&R Block's Tax Institute.

Of course, like most things in the federal tax code, the rules are a little complicated. But experts such as Perlman say the new credit is bigger and more inclusive than previous higher-education tax credits, which were so complicated that more than a quarter of eligible taxpayers failed to get a penny, and those who were able to collect typically got less than \$900.

I asked Perlman and other experts to help answer some questions taxpayers will have about the new bonus:

How much can I get?

You can get a reduction in your 2009 tax bill of up to \$2,500. Even if you don't owe a penny in taxes, you can still get up to \$1,000.

When can I get the money?

The credit covers only tuition, fee and book expenses paid in 2009 and 2010. So the soonest you can get the money is in early 2010, after you file your 2009 tax return. Congress might at some point decide to extend the credit beyond 2010.

Does every student qualify for the money?

No. The credit is available only for undergraduates who attend college at least half time. And only tax filers with adjusted gross incomes of less than \$80,000 a year (if single) or \$160,000 (filing jointly) qualify for the full credit. It is phased out for people who earn

more. Anyone who earns more than \$90,000 (or \$180,000 for joint filers) won't qualify at all.

In addition, the credit covers only tuition, fees and books. So if you get a scholarship or grant that covers those costs, you can't get the credit, even if you have to spend a lot of money on, say, room and board. Also, students with felony drug convictions are disqualified.

How do I get the maximum?

You can claim 100% of your first \$2,000 spent in 2009 on tuition, fees or course materials. You can claim 25% of the next \$2,000 spent on the same things. So if you have \$4,000 in course-related expenses, you can take \$2,500 off whatever you owe the Internal Revenue Service. If you earn so little that you don't owe the IRS that much, then the government will send you a check for 40% of whatever extra credit you qualify for, up to a maximum of \$1,000.

What if I borrow to pay for tuition or books this year?

No problem. You can still collect the credit.

What if I take money out of my 529 to pay for tuition or books this year?

Here's where it gets complicated. Parents who have profits in their 529 college savings accounts (of course, many don't after the market meltdown) and plan to withdraw some of those profits to pay tuition could benefit from checking first with a tax accountant or financial adviser, says John W. Roth, a senior tax analyst for CCH. Because the government has already given savers a tax break on 529 profits, it doesn't want to allow people to double-dip by giving them a credit on the same school expenditures, he notes. So you'll end up paying tax (though not a penalty) on the profit portion of your 529 withdrawal for which you then also could claim the new credit.

But there are lots of ways to get around this, such as using the 529 money to pay for room and board, and using money from your checking account to pay the first \$4,000 of tuition. Even if you do end up using 529 money to pay for tuition, Roth has estimated that the tax bite would very likely be comparatively small -- perhaps a few hundred dollars for most filers. So the credit is still worth claiming, he says.

If I am paying for two children in college this year, may I collect two credits?

Yes. The credit is for each student.

What if I earn too much or am otherwise ineligible? Are there any other education breaks I can get?

Yes, although they are generally less valuable than the credit. The lifetime learning credit of up to \$2,000 is available to many more kinds of students, including those who've already graduated, part-timers and those in job-related courses. Students can claim a deduction on their tax forms for tuition and fees and student loan interest.

Important: There's no doubling up. You get to take only one of the breaks for an expense.

Are there any catches?

Of course! This is the tax code, after all. To get the credit, you'll have to fill out next year's IRS Form 8863 (not yet available). And you should keep records of your tuition and book expenditures just in case.

H&R Block's Perlman says taking the credit does not increase the odds of an audit. "That's a common misconception," she says. "You want to take every credit for which you are eligible."

<http://articles.moneycentral.msn.com/CollegeAndFamily/CutCollegeCosts/how-to-get-a-2500-dollar-tuition-rebate.aspx?page=1>

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“(Our daughter) is really excited. Thanks for all your help! With your help she can go to Syracuse - otherwise we could not have done it! I will definitely be spreading the word!” Karen (Scottsdale, AZ) 2009

“Hi J.D. I got a significant increase from Marquette University after attending both your seminar and your one-on-one meeting AND following your advice. MU raised the financial award from \$2,000 per year to \$9,000 per year (that's per year!) and what is even more incredible is that they gave us the \$9,000 financial aid beginning this year when I thought all hope was lost. I want to thank you very much for all your help...speak to you soon.” Sincerely, Clif (Anthem, AZ) 2008

“THANK YOU! THANK YOU! THANK YOU! I'm so appreciative of the knowledge you brought to this class. One tip alone got me an extra \$9,708 FREE per year!” Rhonda H. 2007

