

---

## 4.

---

# Lifetime Learning Credit

---

## What's New

**Income limits increased.** The amount of your lifetime learning credit for 2009 is gradually reduced (phased out) if your modified adjusted gross income (MAGI) is between \$50,000 and \$60,000 (\$100,000 and \$120,000 if you file a joint return). You cannot claim a credit if your MAGI is \$60,000 or more (\$120,000 or more if you file a joint return). This is an increase from the 2008 limits of \$48,000 and \$58,000 (\$96,000 and \$116,000 if filing a joint return). See [Effect of the Amount of Your Income on the Amount of Your Credit](#), later, for more information.

---

## Introduction

For 2009, there are three tax credits available to help you offset the costs of higher education by reducing the amount of your income tax. They are the American opportunity credit, the Hope credit, and the lifetime learning credit. This chapter discusses the lifetime learning credit. The American opportunity credit is discussed in [chapter 2](#). The Hope credit is discussed in [chapter 3](#).

This chapter explains:

- Who can claim the lifetime learning credit,
- What expenses qualify for the credit,
- Who is an eligible student,
- Who can claim a dependent's expenses,
- How to figure the credit,
- How to claim the credit, and
- When the credit must be repaid.

### What is the tax benefit of the lifetime learning credit.

For the tax year, you may be able to claim a lifetime learning credit of up to \$2,000 (\$4,000 for students in Midwestern disaster areas) for qualified education expenses paid for all eligible students. There is no limit on the number of years the lifetime learning credit can be claimed for each student.

A tax credit reduces the amount of income tax you may have to pay. Unlike a deduction, which reduces the amount of income subject to tax, a credit directly reduces the tax itself. The lifetime learning credit is a nonrefundable credit. This means that it can reduce your tax to zero, but if the credit is more than your tax the excess will not be refunded to you.

Your allowable lifetime learning credit may be limited by the amount of your income and the amount of your tax.

**Students in Midwestern disaster areas.** To qualify for the special rules, a student must attend an eligible educational institution in a Midwestern disaster area. See [Table 4-2](#) at the end of this chapter for a list of qualifying disaster

areas. For the expanded definition of qualified education expenses, see [Students in Midwestern disaster areas](#), under *Qualified Education Expenses*, later in this chapter.



*You can choose the education benefit that will give you the lowest tax. You may want to compare the tuition and fees deduction ([chapter 7](#)) to one or more of the education credits.*

**Can you claim more than one education credit this year.** For each student, you can elect for any year only one of the credits. For example, if you elect to take the lifetime learning credit for a child on your 2009 tax return, you cannot, for that same child, also claim the Hope credit or an American opportunity credit for 2009.

If you are eligible to claim the lifetime learning credit and you are also eligible to claim the American opportunity credit (or the Hope credit) for the same student in the same year, you can choose to claim either credit, but not both.

If you pay qualified education expenses for more than one student in the same year, you can choose to take certain credits on a per-student, per-year basis. This means that, for example, you can claim the Hope credit (or the American opportunity credit) for one student and the lifetime learning credit for another student in the same year. However, this does not apply when the choice is between the American opportunity credit and the Hope credit. See this section in [chapter 2](#) (American opportunity credit) or [chapter 3](#) (Hope credit).

**Differences between the American opportunity, Hope, and lifetime learning credits.** There are several differences between these three credits. For example, you can claim the Hope credit based on the same student's expenses for no more than 2 tax years. The American opportunity credit can be claimed for the same student for no more than 4 tax years, but any year in which the Hope credit was claimed counts toward the 4 years. However, there is no limit on the number of years for which you can claim a lifetime learning credit based on the same student's expenses. The differences between the three credits are shown in *Appendix B* near the end of this publication.

**Overview of the lifetime learning credit.** See [Table 4-1](#) (on the next page) for the basics of the lifetime learning credit. The details are discussed in this chapter.

---

## Can You Claim the Credit

The following rules will help you determine if you are eligible to claim the lifetime learning credit on your tax return.

### Who Can Claim the Credit

Generally, you can claim the lifetime learning credit if all three of the following requirements are met.

- You pay qualified education expenses of higher education.
- You pay the education expenses for an eligible student.
- The eligible student is either yourself, your spouse, or a dependent for whom you claim an exemption on your tax return.

**Table 4-1. Overview of the Lifetime Learning Credit**

<b>Maximum credit</b>	Up to \$2,000 (\$4,000 if a student in a Midwestern disaster area) credit per return
<b>Limit on modified adjusted gross income (MAGI)</b>	\$120,000 if married filing jointly; \$60,000 if single, head of household, or qualifying widow(er)
<b>Refundable or nonrefundable</b>	Nonrefundable—credit limited to the amount of tax you must pay on your taxable income
<b>Number of years of postsecondary education</b>	Available for all years of postsecondary education and for courses to acquire or improve job skills
<b>Number of tax years credit available</b>	Available for an unlimited number of years
<b>Type of degree required</b>	Student does not need to be pursuing a degree or other recognized education credential
<b>Number of courses</b>	Available for one or more courses
<b>Felony drug conviction</b>	Felony drug convictions are permitted
<b>Qualified expenses</b>	Tuition and fees required for enrollment (including amounts required to be paid to the institution for course-related books, supplies, and equipment). Additional expenses allowed for students in Midwestern disaster areas.
<b>Payments for academic periods</b>	Payments made in 2009 for academic periods beginning in 2009 and in the first 3 months of 2010

**Note.** Qualified education expenses paid by a dependent for whom you claim an exemption, or by a third party for that dependent, are considered paid by you.

“[Qualified Education Expenses](#)” are defined on this page. “Eligible students” are defined later under [Who Is an Eligible Student](#). A “dependent for whom you claim an exemption” is defined later under [Who Can Claim a Dependent’s Expenses](#).

You may find [Figure 4-1](#), on the next page, helpful in determining if you can claim a lifetime learning credit on your tax return.

## Who Cannot Claim the Credit

You cannot claim the lifetime learning credit for 2009 if any of the following apply.

- Your filing status is married filing separately.
- You are listed as a dependent in the *Exemptions* section on another person’s tax return (such as your parents’). See [Who Can Claim a Dependent’s Expenses](#), later.
- Your modified adjusted gross income (MAGI) is \$60,000 or more (\$120,000 or more in the case of a joint return). MAGI is explained later under [Effect of the Amount of Your Income on the Amount of Your Credit](#).
- You (or your spouse) were a nonresident alien for any part of 2009 and the nonresident alien did not

elect to be treated as a resident alien for tax purposes. More information on nonresident aliens can be found in Publication 519, U.S. Tax Guide for Aliens.

- You claim the [American opportunity credit](#), [Hope credit](#), or a [tuition and fees deduction](#) for the same student in 2009.

## What Expenses Qualify

The lifetime learning credit is based on qualified education expenses you pay for yourself, your spouse, or a dependent for whom you claim an exemption on your tax return. Generally, the credit is allowed for qualified education expenses paid in 2009 for an academic period beginning in 2009 or in the first 3 months of 2010.

For example, if you paid \$1,500 in December 2009 for qualified tuition for the spring 2010 semester beginning in January 2010, you may be able to use that \$1,500 in figuring your 2009 credit.

**Academic period.** An academic period includes a semester, trimester, quarter, or other period of study (such as a summer school session) as reasonably determined by an educational institution. In the case of an educational institution that uses credit hours or clock hours and does not have academic terms, each payment period can be treated as an academic period.

**Paid with borrowed funds.** You can claim a lifetime learning credit for qualified education expenses paid with the proceeds of a loan. You use the expenses to figure the lifetime learning credit for the year in which the expenses are paid, not the year in which the loan is repaid. Treat loan payments sent directly to the educational institution as paid on the date the institution credits the student’s account.

**Student withdraws from class(es).** You can claim a lifetime learning credit for qualified education expenses not refunded when a student withdraws.

## Qualified Education Expenses

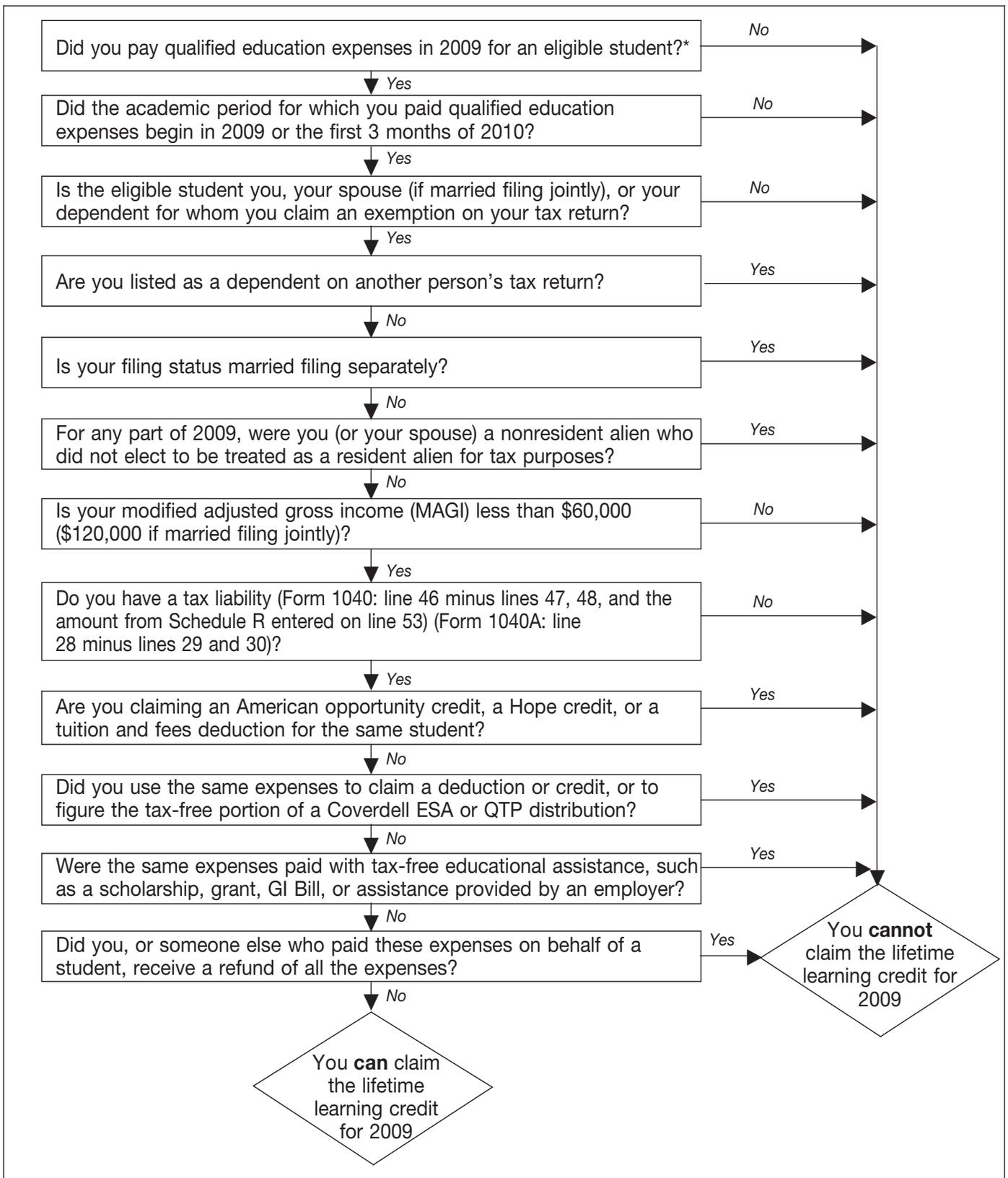
For purposes of the lifetime learning credit, qualified education expenses are tuition and certain related expenses required for enrollment in a course at an eligible educational institution. The course must be either part of a postsecondary degree program or taken by the student to acquire or improve job skills.

**Eligible educational institution.** An eligible educational institution is any college, university, vocational school, or other postsecondary educational institution eligible to participate in a student aid program administered by the U.S. Department of Education. It includes virtually all accredited public, nonprofit, and proprietary (privately owned profit-making) postsecondary institutions. The educational institution should be able to tell you if it is an eligible educational institution.

Certain educational institutions located outside the United States also participate in the U.S. Department of Education’s Federal Student Aid (FSA) programs.

**Related expenses.** Student-activity fees and expenses for course-related books, supplies, and equipment are included in qualified education expenses only if the fees and expenses must be paid to the institution as a condition of enrollment or attendance. For examples, see *Related*

Figure 4-1. **Can You Claim the Lifetime Learning Credit for 2009?**



\*Qualified education expenses paid by a dependent for whom you claim an exemption, or by a third party for that dependent, are considered paid by you.

expenses in [chapter 3](#) under *Qualified Education Expenses*.

**Students in Midwestern disaster areas.** The definition of qualified education expenses is expanded for students in these areas. In addition to tuition and fees required for enrollment or attendance at an eligible educational institution, qualified education expenses for students in Midwestern disaster areas include the following.

1. Books, supplies, and equipment required for enrollment or attendance at an eligible educational institution.
2. For a special needs student, expenses that are necessary for that person's enrollment or attendance at an eligible educational institution.
3. For a student who is at least a half-time student, the reasonable costs of room and board, but only to the extent that the costs are not more than the greater of the following two amounts.
  - a. The allowance for room and board, as determined by the eligible educational institution, that was included in the cost of attendance (for federal financial aid purposes) for a particular academic period and living arrangement of the student.
  - b. The actual amount charged if the student is residing in housing owned or operated by the eligible educational institution.

You will need to contact the eligible educational institution for qualified room and board costs.

## No Double Benefit Allowed

You cannot do any of the following:

- Deduct higher education expenses on your income tax return (as, for example, a business expense) and also claim a lifetime learning credit based on those same expenses.
- Claim a lifetime learning credit in the same year that you are claiming a tuition and fees deduction for the same student.
- Claim a lifetime learning credit and a Hope credit (or an American opportunity credit) based on the same qualified education expenses.
- Claim a lifetime learning credit based on the same expenses used to figure the tax-free portion of a distribution from a Coverdell education savings account (ESA) or qualified tuition program (QTP). See *Coordination With American Opportunity, Hope, and Lifetime Learning Credits* in [chapter 8](#) (Coverdell ESA) and [chapter 9](#) (QTP).
- Claim a credit based on qualified education expenses paid with tax-free educational assistance, such as a scholarship, grant, or assistance provided by an employer. See *Adjustments to Qualified Education Expenses*, next.

## Adjustments to Qualified Education Expenses

If you pay qualified education expenses with certain tax-free funds, you cannot claim a credit for those

amounts. You must reduce the qualified education expenses by the amount of any tax-free educational assistance and refund(s) you received.

**Tax-free educational assistance.** This includes:

- The tax-free part of scholarships and fellowships (see [chapter 1](#)),
- Pell grants (see [chapter 1](#)),
- Employer-provided educational assistance (see [chapter 12](#)),
- Veterans' educational assistance (see [chapter 1](#)), and
- Any other nontaxable (tax-free) payments (other than gifts or inheritances) received as educational assistance.

**Refunds.** Qualified education expenses do not include expenses for which you, or someone else who paid qualified education expenses on behalf of a student, receive a refund. (For information on expenses paid by a dependent student or third party, see [Who Can Claim a Dependent's Expenses](#), on the next page.)

If a refund of expenses paid in 2009 is received before you file your tax return for 2009, simply reduce the amount of the expenses paid by the amount of the refund received. If the refund is received after you file your 2009 tax return, see [When Must the Credit Be Repaid \(Recaptured\)](#), later.

You are considered to receive a refund of expenses when an eligible educational institution refunds loan proceeds to the lender on behalf of the borrower. Follow the above instructions according to when you are considered to receive the refund.

**Amounts that do not reduce qualified education expenses.** Do not reduce qualified education expenses by amounts paid with funds the student receives as:

- Payment for services, such as wages,
- A loan,
- A gift,
- An inheritance, or
- A withdrawal from the student's personal savings.

Do not reduce the qualified education expenses by any scholarship or fellowship reported as income on the student's tax return in the following situations.

- The use of the money is restricted to costs of attendance (such as room and board) other than qualified education expenses.
- The use of the money is not restricted and is used to pay education expenses that are not qualified (such as room and board).

For examples, see [Adjustments to Qualified Education Expenses](#) in chapter 2.

## Expenses That Do Not Qualify

Qualified education expenses do not include amounts paid for:

- Insurance,
- Medical expenses (including student health fees),

- Room and board (but see [Students in Midwestern disaster areas](#) under [Qualified Education Expenses](#), earlier, for an exception),
- Transportation, or
- Similar personal, living, or family expenses.

This is true even if the amount must be paid to the institution as a condition of enrollment or attendance.

**Sports, games, hobbies, and noncredit courses.** Qualified education expenses generally do not include expenses that relate to any course of instruction or other education that involves sports, games or hobbies, or any noncredit course. However, if the course of instruction or other education is part of the student's degree program or is taken by the student to acquire or improve job skills, these expenses can qualify.

**Comprehensive or bundled fees.** Some eligible educational institutions combine all of their fees for an academic period into one amount. If you do not receive or do not have access to an allocation showing how much you paid for qualified education expenses and how much you paid for personal expenses, such as those listed above, contact the institution. The institution is required to make this allocation and provide you with the amount you paid (or were billed) for qualified education expenses on Form 1098-T, Tuition Statement. See [Figuring the Credit](#), on this page, for more information about Form 1098-T.

## Who Is an Eligible Student

For purposes of the lifetime learning credit, an eligible student is a student who is enrolled in one or more courses at an eligible educational institution (as defined under [Qualified Education Expenses](#), earlier).

## Who Can Claim a Dependent's Expenses

If there are qualified education expenses for your dependent during a tax year, either you or your dependent, but not both of you, can claim a lifetime learning credit for your dependent's expenses for that year.

For you to claim a lifetime learning credit for your dependent's expenses, you must also claim an exemption for your dependent. You do this by listing your dependent's name and other required information on Form 1040 (or Form 1040A), line 6c.

IF you...	THEN only...
claim an exemption on your tax return for a dependent who is an eligible student	you can claim the lifetime learning credit based on that dependent's expenses. The dependent cannot claim the credit.
do <b>not</b> claim an exemption on your tax return for a dependent who is an eligible student (even if entitled to the exemption)	the dependent can claim the lifetime learning credit. You cannot claim the credit based on this dependent's expenses.

**Expenses paid by dependent.** If you claim an exemption on your tax return for an eligible student who is your

dependent, treat any expenses paid (or deemed paid) by your dependent as if you had paid them. Include these expenses when figuring the amount of your lifetime learning credit.



*Qualified education expenses paid directly to an eligible educational institution for your dependent under a court-approved divorce decree are treated as paid by your dependent.*

**Expenses paid by you.** If you claim an exemption for a dependent who is an eligible student, only you can include any expenses you paid when figuring the amount of the lifetime learning credit. If neither you nor anyone else claims an exemption for the dependent, only the dependent can include any expenses you paid when figuring the lifetime learning credit.

**Expenses paid by others.** Someone other than you, your spouse, or your dependent (such as a relative or former spouse) may make a payment directly to an eligible educational institution to pay for an eligible student's qualified education expenses. In this case, the student is treated as receiving the payment from the other person and, in turn, paying the institution. If you claim an exemption on your tax return for the student, you are considered to have paid the expenses.

**Example.** In 2009, Ms. Allen makes a payment directly to an eligible educational institution for her grandson Todd's qualified education expenses. For purposes of claiming a lifetime learning credit, Todd is treated as receiving the money as a gift from his grandmother and, in turn, paying his qualified education expenses himself.

Unless an exemption for Todd is claimed on someone else's 2009 tax return, only Todd can use the payment to claim a lifetime learning credit.

If anyone, such as Todd's parents, claims an exemption for Todd on his or her 2009 tax return, whoever claims the exemption may be able to use the expenses to claim a lifetime learning credit. If anyone else claims an exemption for Todd, Todd cannot claim a lifetime learning credit.

**Tuition reduction.** When an eligible educational institution provides a reduction in tuition to an employee of the institution (or spouse or dependent child of an employee), the amount of the reduction may or may not be taxable. If it is taxable, the employee is treated as receiving a payment of that amount and, in turn, paying it to the educational institution on behalf of the student. For more information on tuition reductions, see [Qualified Tuition Reduction](#) in chapter 1.

## Figuring the Credit

The amount of the lifetime learning credit is 20% of the first \$10,000 of qualified education expenses you paid for all eligible students. The maximum amount of lifetime learning credit you can claim for 2009 is \$2,000 (20% × \$10,000). However, that amount may be reduced based on your MAGI. See [Effect of the Amount of Your Income on the Amount of Your Credit](#) on the next page.

**Students in Midwestern disaster areas.** For students in Midwestern disaster areas, the credit rate is modified to 40% of qualified expenses paid, with a maximum lifetime learning credit allowed on your return of \$4,000. If you are claiming a lifetime learning credit for both students in a Midwestern disaster area and other students, the qualified

education expenses taken into account for other students cannot exceed \$10,000 reduced by the qualified education expenses of the students in the Midwestern disaster areas.

**Example 1.** Bruce and Toni Harper are married and file a joint tax return. For 2009, their MAGI is \$75,000. Toni is attending a local college (an eligible educational institution) to earn credits toward a degree in nursing. The college is not in a Midwestern disaster area. She already has a bachelor's degree in history and wants to become a nurse. In August 2009, Toni paid \$5,000 of qualified education expenses for her fall 2009 semester. Bruce and Toni can claim a \$1,000 (20% × \$5,000) lifetime learning credit on their 2009 joint tax return.

**Example 2.** The facts are the same as *Example 1*, except that Bruce and Toni have a child attending college in a Midwestern disaster area. They paid \$6,500 of qualified education expenses for the child's fall 2009 semester. Bruce and Toni can claim a lifetime learning credit of \$3,300 on their 2009 joint tax return. Their credit is figured on Form 8863 as follows. First, the amount of credit for their daughter (attending a school in a Midwestern disaster area) is figured as \$2,600 (\$6,500 × .40). Second, the amount of credit for Toni is figured. As they have already used \$6,500 expenses in figuring the credit for their daughter, they are limited to \$3,500 (\$10,000 limit – \$6,500). The credit for Toni's expenses is \$700 (\$3,500 × .20). Their total lifetime learning credit is \$3,300 (\$2,600 + \$700).

**Form 1098-T.** To help you figure your lifetime learning credit, you should receive [Form 1098-T](#). Generally, an eligible educational institution (such as a college or university) must send Form 1098-T (or acceptable substitute) to each enrolled student by February 1, 2010. An institution may choose to report either payments received (box 1), or amounts billed (box 2), for qualified education expenses. However, the amounts in boxes 1 and 2 of Form 1098-T might be different from what you actually paid. When figuring the credit, use only the amounts you paid or were deemed to have paid in 2009 for qualified education expenses.

In addition, your Form 1098-T should give you other information for that institution, such as adjustments made for prior years, the amount of scholarships or grants, reimbursements or refunds, and whether you were enrolled at least half-time or were a graduate student.

The eligible educational institution may ask for a completed Form W-9S, Request for Student's or Borrower's Taxpayer Identification Number and Certification, or similar statement to obtain the student's name, address, and taxpayer identification number.

## Effect of the Amount of Your Income on the Amount of Your Credit

The amount of your lifetime learning credit is phased out (gradually reduced) if your MAGI is between \$50,000 and \$60,000 (\$100,000 and \$120,000 if you file a joint return). You cannot claim a lifetime learning credit if your MAGI is \$60,000 or more (\$120,000 or more if you file a joint return).

**Modified adjusted gross income (MAGI).** For most taxpayers, MAGI is adjusted gross income (AGI) as figured on their federal income tax return.

**MAGI when using Form 1040A.** If you file Form 1040A, your MAGI is the AGI on line 22 of that form.

**MAGI when using Form 1040.** If you file Form 1040, your MAGI is the AGI on line 38 of that form, modified by adding back any:

1. Foreign earned income exclusion,
2. Foreign housing exclusion,
3. Foreign housing deduction,
4. Exclusion of income by bona fide residents of American Samoa, and
5. Exclusion of income by bona fide residents of Puerto Rico.

You can use Worksheet 4-1 to figure your MAGI.

### Worksheet 4-1. MAGI for the Lifetime Learning Credit

1. Enter your adjusted gross income (Form 1040, line 38) . . . . .	1. _____
2. Enter your foreign earned income exclusion and/or housing exclusion (Form 2555, line 45, or Form 2555-EZ, line 18) . . . . .	2. _____
3. Enter your foreign housing deduction (Form 2555, line 50) . . . . .	3. _____
4. Enter the amount of income from Puerto Rico you are excluding . . . . .	4. _____
5. Enter the amount of income from American Samoa you are excluding (Form 4563, line 15) . . . . .	5. _____
6. Add the amounts on lines 2, 3, 4, and 5 . . . . .	6. _____
7. Add the amounts on lines 1 and 6. This is your <b>modified adjusted gross income</b> . Enter this amount on Form 8863, line 20 . . . . .	7. _____

**Phaseout.** If your MAGI is within the range of incomes where the credit must be reduced, you will figure your reduced credit using lines 17–29 of Form 8863. The same method is shown in the following example.

**Example.** You are filing a joint return with a MAGI of \$110,000. In 2009, you paid \$6,600 of qualified education expenses.

You figure the tentative lifetime learning credit (20% of the first \$10,000 of qualified education expenses you paid for all eligible students). The result is a \$1,320 (20% × \$6,600) tentative credit.

Because your MAGI is within the range of incomes where the credit must be reduced, you must multiply your tentative credit (\$1,320) by a fraction. The numerator of the fraction is \$120,000 (the upper limit for those filing a joint return) minus your MAGI. The denominator is \$20,000, the range of incomes for the phaseout (\$100,000 to \$120,000). The result is the amount of your phased out (reduced) lifetime learning credit (\$660).

$$\$1,320 \times \frac{\$120,000 - \$110,000}{\$20,000} = \$660$$

## Claiming the Credit

You claim the lifetime learning credit by completing Parts III and V of Form 8863 and submitting it with your Form 1040 or 1040A. Enter the credit on Form 1040, line 49, or Form 1040A, line 31. A filled-in [Form 8863](#) is shown at the end of this chapter.

## When Must the Credit Be Repaid (Recaptured)

If, after you file your 2009 tax return, you or someone else receives tax-free educational assistance for, or a refund of, an expense you used to figure a lifetime learning credit on that return, you may have to repay all or part of the credit. You must refigure your lifetime learning credit for 2009 as if the assistance or refund was received in 2009. Subtract the amount of the refigured credit from the amount of the credit you claimed. The result is the amount you must repay. Add the repayment (recapture) to your tax liability for the year in which you receive the assistance or refund. See the instructions for your tax return for that year to find out how to report the recapture amount. Your original 2009 tax return does not change.

**Example.** You paid \$9,300 tuition and fees in December 2009, and your child began college in January 2010. You filed your 2009 tax return on February 15, 2010, and claimed a lifetime learning credit of \$1,860. After you filed

your return, your child dropped two courses and you received a refund of \$2,900. You must refigure your 2009 lifetime learning credit using \$6,400 of qualified education expenses instead of \$9,300. The refigured credit is \$1,280. Include the difference of \$580 in the total on the "Tax" line of your 2010 Form 1040 or 1040A.

## Illustrated Example

Judy Green, a single taxpayer, is taking courses at a community college (not in a Midwestern disaster area) to be recertified to teach in public schools. Her MAGI is \$27,000. Her tax, before credits, is \$2,234. She claims no credits other than the lifetime learning credit. In July 2009 she paid \$700 for the summer 2009 semester; in August 2009 she paid \$1,900 for the fall 2009 semester; and in December 2009 she paid another \$1,900 for the spring semester beginning January 2010. She received Form 1098-T (shown below) from the college. Judy and the college meet all the requirements for the lifetime learning credit. She can use all of the \$4,500 tuition she paid in 2009 when figuring her credit for her 2009 tax return. She figures her credit as shown on the filled-in [Form 8863](#) on the next page.

**Note.** In [Appendix A](#) at the end of this publication, there is an example illustrating the use of Form 8863 when both the American opportunity credit and the lifetime learning credit are claimed on the same tax return.

CORRECTED

FILER'S name, street address, city, state, ZIP code, and telephone number  <i>City Community College 1111 Brown Street Downtown, IL 66666 222-555-0000</i>		1 Payments received for qualified tuition and related expenses <b>\$ 4500</b>	OMB No. 1545-1574  <b>2009</b>  Form <b>1098-T</b>	<b>Tuition Statement</b>
		2 Amounts billed for qualified tuition and related expenses <b>\$</b>		
FILER'S federal identification no. <i>10-1234567</i>	STUDENT'S social security number <i>000-00-7777</i>	3 If this box is checked, your educational institution has changed its reporting method for 2009 <input type="checkbox"/>		<b>Copy B For Student</b>  This is important tax information and is being furnished to the Internal Revenue Service.
STUDENT'S name <i>Judy Green</i>		4 Adjustments made for a prior year <b>\$</b>	5 Scholarships or grants <b>\$</b>	
Street address (including apt. no.) <i>4444 Blue Ave.</i>		6 Adjustments to scholarships or grants for a prior year <b>\$</b>	7 Checked if the amount in box 1 or 2 includes amounts for an academic period beginning January - March 2010 <input type="checkbox"/>	
City, state, and ZIP code <i>Chicago, IL 66666</i>				
Service Provider/Acct. No. (see instr.)	8 Checked if at least half-time student <input checked="" type="checkbox"/>	9 Checked if a graduate student <input type="checkbox"/>	10 Ins. contract reimb./refund <b>\$</b>	

Form **1098-T**

(keep for your records)

Department of the Treasury - Internal Revenue Service

**Education Credits (American Opportunity, Hope, and Lifetime Learning Credits)**

▶ See separate Instructions to find out if you are eligible to take the credits.  
 ▶ Attach to Form 1040 or Form 1040A.

OMB No. 1545-0074

**2009**

Attachment  
 Sequence No. **50**

Name(s) shown on return  
 Judy Green

Your social security number  
 000-00-7777

**Caution:** You **cannot** take both an education credit and the tuition and fees deduction (see Form 8917) for the **same student** for the same year.

**Part I American Opportunity Credit**

Use Part II if you are claiming the Hope credit for a student attending school in a Midwestern disaster area. If you use Part II, you cannot use Part I for any student.

**Caution:** You **cannot** take the American opportunity credit for more than **4** tax years for the **same student**.

1	(a) Student's name (as shown on page 1 of your tax return) First name Last name	(b) Student's social security number (as shown on page 1 of your tax return)	(c) Qualified expenses (see instructions). <b>Do not</b> enter more than \$4,000 for each student.	(d) Subtract \$2,000 from the amount in column (c). If zero or less, enter -0-.	(e) Multiply the amount in column (d) by 25% (.25)	(f) If column (d) is zero, enter the amount from column (c). Otherwise, add \$2,000 to the amount in column (e).
<b>2</b>	<b>Tentative American opportunity credit.</b> Add the amounts on line 1, column (f). Skip Part II if line 2 is more than zero. If you are taking the lifetime learning credit for a different student, go to Part III; otherwise, go to Part IV . . . . . ▶					<b>2</b>

**Part II Hope Credit**

Use this part if you are claiming the Hope credit for a student attending school in a Midwestern disaster area and elect to waive the computation method in Part I for all students.

**Caution:** You **cannot** take the Hope credit for more than **2** tax years for the **same student**.

3	(a) Student's name (as shown on page 1 of your tax return) First name Last name	(b) Student's social security number (as shown on page 1 of your tax return)	(c) Qualified expenses (see instructions). <b>Do not</b> enter more than \$2,400* for each student.	(d) Enter the <b>smaller</b> of the amount in column (c) or \$1,200**	(e) Add column (c) and column (d)	(f) Enter one-half of the amount in column (e)
<b>4</b>	<b>Tentative Hope credit.</b> Add the amounts on line 3, column (f). If you are taking the lifetime learning credit for a different student, go to Part III; otherwise, go to Part V . . . . . ▶					<b>4</b>

\*For each student who attended an eligible educational institution in a Midwestern disaster area, **do not** enter more than \$4,800.

\*\*For each student who attended an eligible educational institution in a Midwestern disaster area, enter the **smaller** of the amount in column (c) or \$2,400.

**Part III Lifetime Learning Credit. Caution:** You **cannot** take the American opportunity credit or the Hope credit and the lifetime learning credit for the **same student** in the same year.

5	(a) Student's name (as shown on page 1 of your tax return)  First name Last name	(b) Student's social security number (as shown on page 1 of your tax return)	(c) Qualified expenses (see instructions)
	Judy Green	000-00-7777	4,500
<b>6</b>	Add the amounts on line 5, column (c), and enter the total . . . . .		<b>6</b> 4,500
<b>7a</b>	Enter the <b>smaller</b> of line 6 or \$10,000 . . . . .		<b>7a</b> 4,500
<b>b</b>	For students who attended an eligible educational institution in a Midwestern disaster area, enter the <b>smaller</b> of \$10,000 or their qualified expenses included on line 6 (see special rules on page 3 of the instructions) . . . . .		<b>7b</b>
<b>c</b>	Subtract line 7b from line 7a . . . . .		<b>7c</b> 4,500
<b>8a</b>	Multiply line 7b by 40% (.40) . . . . .		<b>8a</b>
<b>b</b>	Multiply line 7c by 20% (.20) . . . . .		<b>8b</b> 900
<b>c</b>	<b>Tentative lifetime learning credit.</b> Add lines 8a and 8b. If you have an entry on line 2, go to Part IV; otherwise go to Part V . . . . .		<b>8c</b> 900

For Paperwork Reduction Act Notice, see page 5 of separate instructions.

Cat. No. 25379M

Form **8863** (2009)

**Part IV Refundable American Opportunity Credit**

<b>9</b>	Enter the amount from line 2 . . . . .			<b>9</b>	
<b>10</b>	Enter: \$180,000 if married filing jointly; \$90,000 if single, head of household, or qualifying widow(er) . . . . .	<b>10</b>			
<b>11</b>	Enter the amount from Form 1040, line 38,* or Form 1040A, line 22 . . . . .	<b>11</b>			
<b>12</b>	Subtract line 11 from line 10. If zero or less, <b>stop</b> ; you cannot take any education credit . . . . .	<b>12</b>			
<b>13</b>	Enter: \$20,000 if married filing jointly; \$10,000 if single, head of household, or qualifying widow(er) . . . . .	<b>13</b>			
<b>14</b>	If line 12 is: <ul style="list-style-type: none"> <li>• Equal to or more than line 13, enter 1.000 on line 14 . . . . .</li> <li>• Less than line 13, divide line 12 by line 13. Enter the result as a decimal (rounded to at least three places) . . . . .</li> </ul>			<b>14</b>	.
<b>15</b>	Multiply line 9 by line 14. <b>Caution:</b> If you were under age 24 at the end of the year <b>and</b> meet the conditions on page 5 of the instructions, you <b>cannot</b> take the refundable American opportunity credit. Skip line 16, enter the amount from line 15 on line 17, and check this box <input type="checkbox"/> . . . . .			<b>15</b>	
<b>16</b>	<b>Refundable American opportunity credit.</b> Multiply line 15 by 40% (.40). Enter the amount here and on Form 1040, line 66, or Form 1040A, line 43. Then go to line 17 below . . . . .			<b>16</b>	

**Part V Nonrefundable Education Credits**

<b>17</b>	Subtract line 16 from line 15 . . . . .			<b>17</b>	
<b>18</b>	Add line 4 and line 8c. If you have no entry on these lines, skip lines 19 through 24, and enter the amount from line 17 on line 25 . . . . .			<b>18</b>	900
<b>19</b>	Enter: \$120,000 if married filing jointly; \$60,000 if single, head of household, or qualifying widow(er) . . . . .	<b>19</b>	60,000		
<b>20</b>	Enter the amount from Form 1040, line 38,* or Form 1040A, line 22 . . . . .	<b>20</b>	27,000		
<b>21</b>	Subtract line 20 from line 19. If zero or less, skip lines 22 and 23, and enter zero on line 24 . . . . .	<b>21</b>	33,000		
<b>22</b>	Enter: \$20,000 if married filing jointly; \$10,000 if single, head of household, or qualifying widow(er) . . . . .	<b>22</b>	10,000		
<b>23</b>	If line 21 is: <ul style="list-style-type: none"> <li>• Equal to or more than line 22, enter the amount from line 18 on line 24 and go to line 25</li> <li>• Less than line 22, divide line 21 by line 22. Enter the result as a decimal (rounded to at least three places) . . . . .</li> </ul>			<b>23</b>	.
<b>24</b>	Multiply line 18 by line 23 . . . . .			<b>24</b>	900
<b>25</b>	Add line 17 and line 24. If zero, <b>stop</b> ; you <b>cannot</b> take any nonrefundable education credit . . . . .			<b>25</b>	900
<b>26</b>	Enter the amount from Form 1040, line 46, or Form 1040A, line 28 . . . . .			<b>26</b>	2,234
<b>27</b>	Enter the total, if any, of your credits from: <ul style="list-style-type: none"> <li>• Form 1040, lines 47, 48, and the amount from Schedule R entered on line 53 . . . . .</li> <li>• Form 1040A, lines 29 and 30 . . . . .</li> </ul>			<b>27</b>	0
<b>28</b>	Subtract line 27 from line 26. If zero or less, <b>stop</b> ; you <b>cannot</b> take any nonrefundable education credit . . . . .			<b>28</b>	2,234
<b>29</b>	<b>Nonrefundable education credits.</b> Enter the <b>smaller</b> of line 25 or line 28 here and on Form 1040, line 49, or Form 1040A, line 31 . . . . .			<b>29</b>	900

\*If you are filing Form 2555, 2555-EZ, or 4563, or you are excluding income from Puerto Rico, see Pub. 970 for the amount to enter.

**Table 4-2. Midwestern Disaster Areas Eligible for Special Rules**

Students attending an eligible educational institution in the counties listed below may qualify for the special Midwestern disaster area rules for the Hope or lifetime learning credit or the tuition and fees deduction.

<b>Applicable Disaster Date*</b>	<b>State</b>	<b>Affected Counties — Midwestern Disaster Areas</b>
05/02/2008 through 05/12/2008	Arkansas	Arkansas, Benton, Cleburne, Conway, Crittenden, Grant, Lonoke, Mississippi, Phillips, Pulaski, Saline, and Van Buren.
06/01/2008 through 07/22/2008	Illinois	Adams, Calhoun, Clark, Coles, Crawford, Cumberland, Douglas, Edgar, Hancock, Henderson, Jasper, Jersey, Lake, Lawrence, Mercer, Rock Island, Whiteside, and Winnebago.
05/30/2008 through 06/27/2008	Indiana	Adams, Bartholomew, Brown, Clay, Daviess, Dearborn, Decatur, Gibson, Grant, Greene, Hamilton, Hancock, Hendricks, Henry, Huntington, Jackson, Jefferson, Jennings, Johnson, Knox, Lawrence, Madison, Marion, Monroe, Morgan, Owen, Parke, Pike, Posey, Putnam, Randolph, Ripley, Rush, Shelby, Sullivan, Tippecanoe, Vermillion, Vigo, Washington, and Wayne.
05/25/2008 through 08/13/2008	Iowa	Adair, Adams, Allamakee, Appanoose, Audubon, Benton, Black Hawk, Boone, Bremer, Buchanan, Butler, Cass, Cedar, Cerro Gordo, Chickasaw, Clarke, Clayton, Clinton, Crawford, Dallas, Davis, Decatur, Delaware, Des Moines, Dubuque, Fayette, Floyd, Franklin, Fremont, Greene, Grundy, Guthrie, Hamilton, Hancock, Hardin, Harrison, Henry, Howard, Humboldt, Iowa, Jackson, Jasper, Johnson, Jones, Keokuk, Kossuth, Lee, Linn, Louisa, Lucas, Madison, Mahaska, Marion, Marshall, Mills, Mitchell, Monona, Monroe, Montgomery, Muscatine, Page, Polk, Pottawattamie, Poweshiek, Ringgold, Scott, Story, Tama, Union, Van Buren, Wapello, Warren, Washington, Webster, Winnebago, Winneshiek, Worth, and Wright.
05/10/2008 through 05/11/2008	Missouri	Barry, Jasper, and Newton.
06/01/2008 through 08/13/2008	Missouri	Adair, Andrew, Callaway, Cass, Chariton, Clark, Gentry, Greene, Harrison, Holt, Johnson, Lewis, Lincoln, Linn, Livingston, Macon, Marion, Monroe, Nodaway, Pike, Putnam, Ralls, St. Charles, Stone, Taney, Vernon, and Webster.
05/22/2008 through 06/24/2008	Nebraska	Buffalo, Butler, Colfax, Custer, Dawson, Douglas, Gage, Hamilton, Holt, Jefferson, Kearney, Lancaster, Platte, Richardson, Sarpy, and Saunders.
06/05/2008 through 07/25/2008	Wisconsin	Adams, Calumet, Crawford, Columbia, Dane, Dodge, Fond du Lac, Grant, Green, Green Lake, Iowa, Jefferson, Juneau, Kenosha, La Crosse, Manitowoc, Marquette, Milwaukee, Monroe, Ozaukee, Racine, Richland, Rock, Sauk, Sheboygan, Vernon, Walworth, Washington, Waukesha, and Winnebago.

\* For more details, go to [www.fema.gov](http://www.fema.gov)