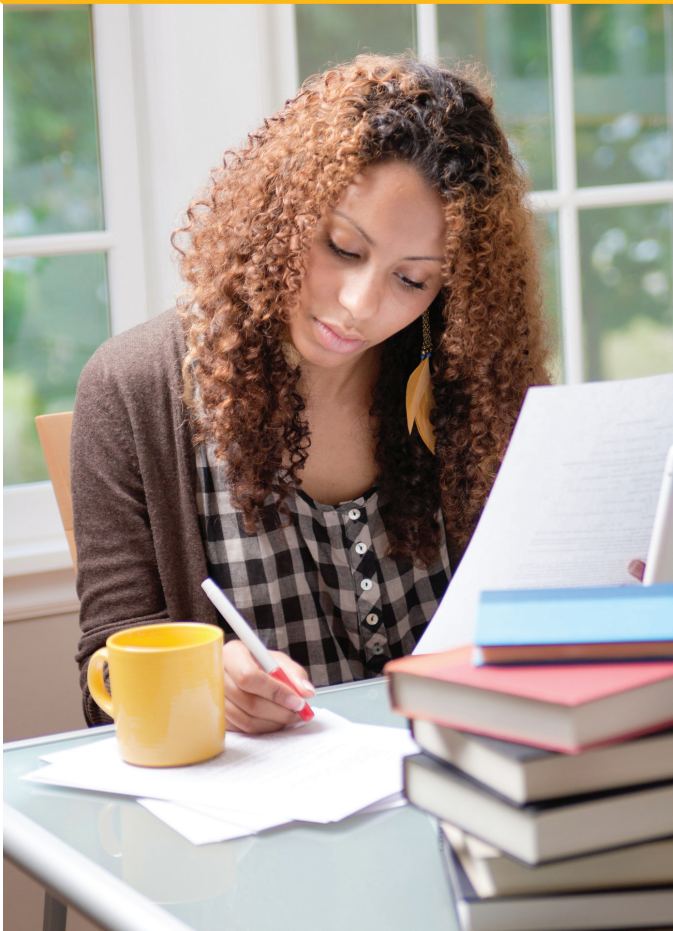




## Tax Notes

Individual federal tax returns that were granted an automatic six-month extension are due on October 16.

## American Opportunity Tax Credit (AOTC)



The AOTC is a tax credit with a non-refundable and refundable component to help make college more affordable for eligible students. A non-refundable portion is allowed to the extent it does not exceed the taxpayer's income tax liability. The refundable portion allows the taxpayer to receive a refund regardless of the tax liability.

The AOTC is based on 100% of the first \$2,000 of qualified expenses, plus 25% of the next \$2,000 of such expenses

paid during the year, for a maximum credit of \$2,500. Up to 40% of the credit is refundable. Students subject to kiddie tax rules are ineligible for the refundable portion. To be eligible for AOTC, the student must:

- Be pursuing a degree or other recognized education credential;
- Be enrolled at least half time for at least one academic period beginning in the tax year;
- Not have finished the first four years of higher education at the beginning of the tax year;
- Not have claimed the AOTC or the former Hope credit for more than four tax years; and
- Not have a felony drug conviction at the end of the tax year.

If you claim your child as a dependent, you can claim an education credit for his or her qualified education expenses. You can even include expenses paid by your child or someone else. You can choose not to claim your child as a dependent so he or she can claim the education credit. The dependent is still not allowed to claim himself/herself, and only the non-refundable portion of the credit is allowed, which is limited to the student's tax liability.

The AOTC can also be claimed in the same year a beneficiary takes a tax-free distribution from a 529 plan, as long as the same expenses are not used for both benefits.

## Did You Know?

September has three birth flowers: the forget-me-not, the morning glory and the aster.



## Quote Corner

**"By all these lovely tokens September days are here, with summer's best of weather and autumn's best of cheer."**

**~Helen Hunt Jackson**