



**January 2010**

### **Expanded Educational Credits**

The American Opportunity Tax Credit expands college education tax breaks under the Hope credit. For 2009, the credit increases to as much as \$2,500 of the cost of tuition and related expenses paid during the tax year, including expenditures for course materials. Individuals can receive a tax credit based on 100% of the first \$2,000 of tuition and related expenses (including books) paid during the tax year plus 25% of the next \$2,000 of tuition and related expenses paid during the tax year. The credit is now available during the first four years of post-secondary education in a degree or certificate program (rather than just the first two years as in the past). Forty percent of the tax credit is refundable and a taxpayer who meets certain requirements can now receive a refund of up to \$1,000 even if no taxes are owed. Because these credits are subject to a variety of limitations and to a phase-out, be sure to check with us if you think you will qualify for this credit.

**Qualified Expense Definition Expanded for Qualified Tuition Programs** The definition of higher education expenses qualifying for tax-free distributions from a qualified tuition program has been expanded (for 2009 and 2010) to include purchases of computer software, any computer or peripheral equipment, fiber optic cables related to computer use, and Internet access and related services.