

Take a Lesson on Educational Tax Breaks

Are your children going back to school this fall? You may be able to offset some of the rising costs of higher education with tax breaks although the benefits are phased out for certain taxpayers. Here is a "tax primer" for parents to follow.

- * Education tax credits. You can elect to claim one of two education tax breaks.
- * For 2014, the maximum "American Opportunity Tax Credit" (an enhanced version of the Hope Scholarship credit) is \$2,500 per student. Currently the credit can be claimed for all four years of study, and up to 40% of the credit is refundable. The phase-out begins at an adjusted gross income (AGI) level of \$160,000 for joint filers (\$80,000 for single filers).
- * The maximum "Lifetime Learning Credit" is \$2,000 regardless of the number of college students. This credit begins to phase out at an AGI of \$108,000 for joint filers (\$54,000 for single filers).
- * Student loan interest. The tax law provides an above-the-line deduction of up to \$2,500 a year for interest paid on student loans. For 2014, the deduction begins to phase out at an AGI of \$130,000 for joint filers (\$65,000 for single filers).
- * Education savings accounts let you set aside up to \$2,000 per year per child in a tax-deferred account for elementary, secondary, or higher education expenses at either private or public schools. Phase-outs apply.
- * Section 529 plans include tax-favored college savings plans and prepaid tuition accounts. Tax-free withdrawals can be used to pay for tuition, fees, supplies, equipment, and certain room and board expenses.

Do not pay more in taxes than necessary because you have failed to take advantage of the education tax breaks that exist in the law. For details and assistance in planning for the best utilization of the available education tax breaks, contact our office.

If you are interested in more tax planning strategies, the early fall is a good time for an evaluation of tax planning opportunities to allow time to implement any new strategies before year-end. Call us to request a thirty-minute interview appointment to discuss services at no charge or an initial consultation at standard hourly rates with up to the first hour being credited to the first engagement following the initial meeting.

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