

TRAINING AND EMPLOYMENT NOTICE	NUMBER 42-07
	DATE June 17, 2008

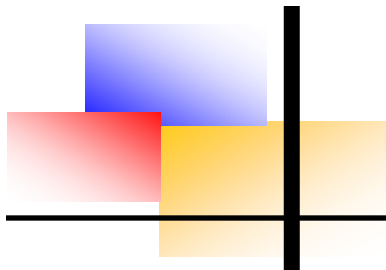
TO: ALL STATE WORKFORCE INVESTMENT BOARDS AND STAFF
ALL STATE WORKFORCE ADMINISTRATORS
ALL STATE WORKFORCE AGENCY STAFF
ALL STATE WORKFORCE LIAISONS
ALL LOCAL WORKFORCE INVESTMENT BOARDS

FROM: BRENT R. ORRELL *Brent R. Orrell*
Acting Assistant Secretary

SUBJECT: Federal Training and Education Tax Credits

1. **Purpose.** To increase awareness of Federal training and education tax credits that may be available to One-Stop Career Center customers, particularly those not eligible for training assistance under the Workforce Investment Act (WIA).
2. **References.** Internal Revenue Service Form 8863 and Instructions, Education Credits. www.irs.gov/pub/irs-pdf/f8863.pdf. Internal Revenue Service Publication 970, Tax Benefits for Higher Education. <http://www.irs.gov/publications/p970/ar01.html>
3. **Background.** The public workforce investment system provides resources to support training through Individual Training Accounts (ITAs). For One-Stop Career Center customers whose training needs cannot be met through ITAs, because of ineligibility, limited WIA resources, or other reasons; two Federal tax credit programs, the Hope Credit and the Lifetime Learning Credit, can help offset the costs of higher education for individuals by reducing the amount of income tax owed. Both credits apply to qualified education expenses of the tax filer, the filer's spouse, and the filer's dependents. To qualify, the taxpayer must meet modified adjusted gross income limits and meet education enrollment status requirements.
4. **Hope Tax Credit.** The Hope Tax Credit is a tax credit for the first two years for post-secondary education. Taxpayers who meet modified adjusted gross income limits can subtract up to \$1,650 per student per year in tuition and qualified college costs from the taxes they owe when they file their Federal tax returns. The amount of the credit is calculated as follows: 100 percent of the first \$1,100 paid for tuition and qualified expenses, and 50 percent of the next \$1,100, for each student. The tax credit can be claimed for each student claimed on the filed tax return. The student must be enrolled at least half time in an eligible program leading to a degree or certificate.

5. **Lifetime Learning Tax Credit.** The Lifetime Learning Tax Credit is a tax credit for tuition and qualified expenses for higher education or career training. There is no limit on the number of years the credit can be claimed. Taxpayers can subtract up to \$2,000 per year in tuition and qualified college costs from the taxes they owe when they file their returns. The tuition and qualified college costs can be associated with more than one student, provided the student is claimed on the tax return. The student(s) must be enrolled in an eligible post-secondary institution, or in any course of instruction at an eligible school to improve or acquire job skills. The student(s) does not need to be pursuing a degree or other recognized education credential. The benefit is calculated as follows: 20 percent of qualified costs up to \$10,000 per tax return filed.
6. **Resources.** Full information about the Hope Tax Credit, the Lifetime Learning Tax Credit, and other tax benefits of higher education can be found in Internal Revenue Service Publication 970, Tax Benefits for Higher Education at: <http://www.irs.gov/publications/p970/ar01.html>. Appropriate forms and filing instructions for the Hope and Lifetime Learning Tax Credits can be found in Internal Revenue Service Form 8863 and Instructions, Education Credits at: <http://www.irs.gov/pub/irs-pdf/f8863.pdf>.
7. **Action Required.** States are requested to share this Training and Employment Notice with their One-Stop Career Centers and encourage them to provide basic information on Federal training and education tax credits that may be available to workers who are not provided Individual Training Accounts or other training services.
8. **Attachment.** Flyer on Federal training and education tax credits for distribution in One- Stop Career Centers.



Education Tax Credits

The One-Stop Career Centers empower workers to access education and skills training needed to take advantage of career opportunities through Individual Training Accounts (ITAs) and other training services. However, for One-Stop Career Center customers whose training needs cannot be met through ITAs, because of ineligibility, limited WIA resources or other reasons, two Federal tax credit programs, the Hope Credit and the Lifetime Learning Credit, may help offset the costs of higher education for customers by reducing the amount of income tax owed.

Both credits apply to qualified education expenses of an individual tax filer, the filer's spouse, and the filer's dependents. To qualify, the taxpayer must meet modified adjusted gross income limits, education enrollment status, and other requirements.

Hope Tax Credit

A tax credit for the first two years for Post-secondary education

- Taxpayers who meet modified adjusted gross income limits can subtract up to \$1,650 per student per year in tuition and qualified college costs from the taxes they owe when they file their federal tax returns
- The amount of the credit is calculated as follows: 100 percent of the first \$1,100 paid for tuition and qualified expenses, and 50 percent of the next \$1,100, for each student
- Tuition and qualified college costs can be associated with more than one student, provided the student is claimed on the tax return
- The student must not have felony drug convictions on record
- The student must be enrolled at least half time in an eligible program leading to a degree or certificate

Lifetime Learning Tax Credit

The Lifetime Learning Tax Credit is a tax credit for tuition and qualified expenses for higher education or career training

- There is no limit on the number of years the credit can be claimed
- Taxpayers can subtract up to \$2,000 per a year in tuition and qualified college costs from the taxes they owe when they file their returns
- The student(s) must be enrolled in an eligible post-secondary institution, or in any course of instruction at an eligible school to improve or acquire job skills
- The student(s) does not need to be pursuing a degree or other recognized education credential. The benefit is calculated as follows: 20 percent of qualified costs up to \$10,000 per tax return filed

Full information about the Hope Tax Credit, the Lifetime Learning Tax Credit and other tax benefits of higher education can be found in Internal Revenue Service Publication 970, Tax Benefits for Higher Education at <http://www.irs.gov/publications/p970/ar01.html>. Appropriate forms and filing instructions for the Hope and Lifetime Learning Tax Credits can be found in Internal Revenue Service Form 8863 and Instructions, Education Credits at www.irs.gov/pub/irs-pdf/f8863.pdf.