PRIME

AMERICAN OPPORTUNITY TAX CREDIT



If you, your spouse, or your dependent is attending college, the American Opportunity Tax Credit (AOTC) may help reduce the overall cost of higher education. The AOTC is a federal tax credit designed to offset qualified education expenses such as tuition, required fees, and certain course materials.

Unlike a deduction, which reduces taxable income, a tax credit directly reduces the amount of tax owed. The AOTC can provide up to $2,500 per eligible student each year for the first four years of qualifying higher education. A portion of the credit may even be refundable, meaning some taxpayers can receive a benefit even if they do not owe additional tax.

For families helping pay for college, this can be one of the most valuable education-related tax benefits available.

QUALIFICATIONS

This credit is generally geared toward taxpayers who are paying for undergraduate education expenses for themselves, a spouse, or a dependent.

A strong fit often includes:

- **Students pursuing a degree or recognized credential.** The credit is intended for qualifying post-secondary education programs rather than casual coursework or continuing education.
- **Individuals within their first four years of higher education.** The AOTC is specifically designed for undergraduate education and is generally unavailable once those first four years have been completed.
- **Families helping cover college costs.** Parents who claim a student as a dependent are often the ones who benefit from the credit.
- **Taxpayers within the applicable income ranges.** The value of the credit begins to phase out at higher income levels and may not be available for some high-income households.

If you're paying substantial education expenses during a qualifying student's undergraduate years, this credit is often one of the first education-related tax strategies worth exploring.

IMPLEMENTATION

For a detailed implementation checklist and other helpful resources, scan the QR code below or click **here**.

GOT QUESTIONS?

Email **decoder@primecorporateservices.com** or contact **(855) 577-4639** for more information.

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