

2007 HIGHER EDUCATION TAX CREDITS FACT SHEET

	Hope Scholarship Credit	Lifetime Learning Credit
Who Benefits from Credit	"Eligible student" who pays qualified expenses and is not claimed as a dependent on a parent's return OR taxpayer who claims "eligible student" as a dependent, whether qualified expenses are paid by taxpayer or student. Either parent or child, but not both, may claim credit for child's qualified expenses paid in a particular year. Married individuals, filing separately, are not allowed a tax credit.	SAME
Definition of "Eligible Student"	Student enrolled in a degree, certificate or other program leading to a recognized educational credential in one of the first two years of post secondary education . Credit disallowed for any student convicted for a Federal or State felony offense consisting of the possession or distribution of a controlled substance.	Student enrolled in a degree, certificate, or other program leading to recognized educational credential for graduate or undergraduate work or to improve job skills .
Enrollment Requirements for "Eligible Student"	Student must be enrolled at least one-half time during at least one academic period beginning during calendar year .	No minimum enrollment requirement exists.
Number of Years Credit Available	Credit may be claimed in only the first two years of post-secondary education for each eligible student.	No limit on number of years credit may be claimed by taxpayer.
How Many Credits May Be Claimed Each Year	Taxpayer is permitted one credit per eligible student per year .	Taxpayer is limited to one \$2,000 credit per year regardless of the number of eligible dependent students in the family .
	Note: For each year in which a student meets the eligibility requirements for the Hope Scholarship Credit, the student's expenses may be used as the basis for a Hope Scholarship Credit or a Lifetime Learning Credit, but not for both .	
Credit Calculation	100% of the first \$1,100 and 50% of the next \$1,100 of qualified tuition and related expenses (i.e. maximum \$1,650 per student).	20% of the first \$10,000 qualified tuition and fees (i.e. maximum \$2,000 per taxpayer).
Qualified Expenses	Tuition and fees a student is required to pay "out-of-pocket" in order to be enrolled at or attend the University. Amounts paid for any course or other education involving sports, games, or hobbies are not eligible for the credit unless the course or other education is part of the student's degree program. Charges and fees associated with room, board, student activities, athletics, insurance, books, equipment, transportation, and similar personal, living, or family expenses are not qualified.	SAME
Out-of-Pocket Expenses	Qualified expenses paid with student's earnings, a loan, gift, inheritance, or personal savings are included; expenses paid with a Pell Grant, other tax-free scholarship, tax-free distribution from Education IRA, or tax-free employer provided educational assistance are not counted.	SAME
Credit Phase-Out Limits	Credit reduced for single taxpayers who have modified adjusted gross income between \$47,000 and \$57,000. For married filing jointly, credit phases out for modified adjusted gross income between \$94,000 and \$114,000.	SAME
Credit Effective Dates	Qualified tuition and related expenses made on or after January 1, 1998, for academic periods beginning on or after January 1, 1998.	Qualified tuition and related expenses made on or after July 1, 1998, for academic periods beginning on or after July 1, 1998.
Timing of Payments	For 2007 qualified expenses paid in one calendar year will include expenses paid to cover an academic period that begins the following January, February or March.	For 2007 qualified expenses paid in one calendar year will include expenses paid to cover an academic period that begins the following January, February or March.

This information is not intended as legal or tax advice. Please consult your personal tax adviser to determine your eligibility for education tax credits. Produced by the University of Minnesota Tax Management Office (January 2008)
 Contact Us: TaxHelp@umn.edu