

# Accounting Resources Newsletter

## August 2012

### Back to School 2012



It's back to school, and now is the time to capture receipts! Whether you have a college student and you are paying for tuition, supplies and books, or an educator buying supplies for your classroom.

Keep those receipts!

Tax credits are still available for 2012 and you will want to take advantage of them.

Did you know that After School Care is part of the child and dependent care credit that is also available?

Please contact me for more information.

Alice Reeves  
770-632-5562

Visit our website:  
[AcctResources.com](http://AcctResources.com)

### EDUCATOR EXPENSES CREDIT

If you are an eligible educator, you can deduct up to \$250 (\$500 if married filing joint and both spouses are educators, but not more than \$250 each) of any unreimbursed expenses [otherwise deductible as a trade or business expense] you paid or incurred for books, supplies, computer equipment (including related software and services), other equipment, and supplementary materials that you use in the classroom. For courses in health and physical education, expenses for supplies are qualified expenses only if they are related to athletics.

This deduction is for expenses paid or incurred during the tax year. You are an eligible educator if, for the tax year, you meet the following requirements:

You are a kindergarten through grade 12:

- Teacher
- Instructor
- Counselor
- Principal, or
- Aide

Qualified expenses are deductible only to the extent the amount of such expenses exceeds the following amounts for the tax year.



**\*Reminder: Our offices will be closed Monday, September 3, 2012 for Labor Day.**

It is with both sadness and joy to inform you that our long time employee Leslie Alley is no longer with us. She has accepted a great opportunity and we wish her well! She has been an asset to our company and we know she will be successful in this new venture.

The friendly, new voice you'll be hearing as she answers the phone is Deidre Jones.

Good luck Leslie and welcome Deidre!

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### TWO TAX CREDITS TO HELP PAY HIGHER EDUCATION COSTS

#### American Opportunity Credit

Many parents and college students will be able to offset the cost of college over the next two years under the new American Opportunity Tax Credit. This tax credit is part of the American Recovery and Reinvestment Act of 2009.

This credit, which expands and renames the existing Hope Credit, can be claimed for qualified tuition and related expenses that you pay for higher education in 2012. Qualified tuition and related expenses include tuition, related fees, books and other required course materials.

The credit is equal to 100 percent of the first \$2,000 spent and 25 percent of the next \$2,000 per student each year. Therefore, the full \$2,500 credit may be available to a taxpayer who pays \$4,000 or more in qualifying expenses for an eligible student.

The full credit is generally available to eligible taxpayers who make less than \$80,000 or \$160,000 for married couples filing a joint return. The credit is gradually reduced, however, for taxpayers with incomes above these levels.

Forty percent of the credit is refundable, so even those who owe no tax can get up to \$1,000 of the credit for each eligible student as cash back.

The credit can be claimed for qualified expenses paid for any of the first four years of post-secondary education.

You cannot claim the tuition and fees tax deduction in the same year that you claim the American Opportunity Tax Credit or the Lifetime Learning Credit. You must choose to either take the credit or the deduction, whichever is more beneficial for you.

#### Lifetime Learning Credit

The lifetime learning credit helps parents and students pay for post-secondary education.

For the tax year, you may be able to claim a lifetime learning credit of up to \$2,000 for qualified education expenses paid for all students enrolled in eligible educational institutions. There is no limit on the number of years the lifetime learning credit can be claimed for each student. However, a taxpayer cannot claim both the Hope or American opportunity credit and lifetime learning credits for the same student in one year. Thus, the lifetime learning credit may be particularly helpful to graduate students, students who are only taking one course and those who are not pursuing a degree.

Generally, you can claim the lifetime learning credit if all three of the following requirements are met:

- You pay qualified education expenses of higher education.
- You pay the education expenses for an eligible student.
- The eligible student is either yourself, your spouse or a dependent for whom you claim an exemption on your tax return.

If you're eligible to claim the lifetime learning credit and are also eligible to claim the Hope or American opportunity credit for the same student in the same year, you can choose to claim either credit, but not both.

If you pay qualified education expenses for more than one student in the same year, you can choose to take credits on a per-student, per-year basis. This means that, for example, you can claim the Hope or American opportunity credit for one student and the lifetime learning credit for another student in the same year.

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### Automated IRS System Helps College-Bound Students with Financial Aid Application Process

College-bound students and their parents sometimes face last minute requests to complete or provide additional information for financial aid applications.

The Internal Revenue wants to help by minimizing time spent on the completion of the Department of Education's Free Application for Federal Student Aid (FAFSA). By using the IRS Data Retrieval Tool, applicants can automatically transfer required tax data from their federal tax returns directly to their FAFSA form.

This IRS tool is a free, easy and secure way to access and transfer tax return information onto the FAFSA form. Using the tool saves time, improves accuracy and may reduce the likelihood of the school's financial aid office requesting that you verify the information.

Here are some tips on using the IRS DRT:

Eligibility Criteria To use the IRS DRT to complete their 2012 -2013 FAFSA form, taxpayers must:

- o have filed a federal 2011 tax return,
- o possess a valid Social Security Number,
- o have a Federal Student Aid PIN (individuals who don't have a PIN will be given the option to apply for one through the FAFSA application process), and
- o have not changed marital status since Dec. 31, 2011.

Exceptions If any of the following conditions apply to the student or parents, the IRS Data Retrieval Tool cannot be used for the 2012 FAFSA application:

- o an amended tax return was filed for 2011,
- o no federal tax return was filed for 2011,
- o the federal tax filing status on the 2011 return is married filing separately or
- o a Puerto Rican or other foreign tax return has been filed.

Applicants who cannot use the IRS DRT to meet college requests for verification, may need to obtain an official transcript from the IRS. Transcripts are not available until the IRS has processed the related tax return. To order tax return or tax account transcripts, visit IRS.gov and select "Order a Transcript" or call the toll-free Transcript line at 1-800-908-9946.

In addition, the IRS offers money-saving information for college students and their parents about tax credits and deductions for qualifying tuition, materials and fees.

