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### *Changes in Education Credits and Deductions for Taxable Year 2006*

*By: Ken Bloom*

#### Deductions:

Unfortunately, the Deduction for Higher Education Expenses will no longer be available to taxpayers in taxable years after 2005.

#### Credits:

There are two credit elections available to eligible taxpayers continuing in 2006. The first credit option is called the Hope Credit. For eligibility to claim the Hope Credit, the taxpayer (or taxpayer's spouse or dependent) must be enrolled at least half-time at a certified educational program leading to a degree or certificate and must not have any drug-related felony convictions. One major point to consider is that this credit can only be claimed during the student's first two years of post-secondary education (freshman and sophomore years of college). If the taxpayer qualifies, he or she is eligible for a credit in the amount up to \$1,500.

The second credit election available to some taxpayers incurring higher education expenses is called the Lifetime Learning Credit. The Lifetime Learning Credit is available to students enrolled in either post-secondary education classes or professional degree programs and can be taken in any year which the taxpayer is enrolled as a student in such program. If the taxpayer qualifies, he or she is eligible for a credit up to \$2,000, depending upon the cost of tuition (excluding other costs, such as books, housing, etc.).

One possible consideration of either educational credit is that it begins to phase out if the taxpayer earns a certain level of income. For example, the credit begins to phase out if the taxpayer's adjusted gross income is \$41,000 individually or \$83,000 married filing jointly. Once the taxpayer's adjusted gross income reaches \$51,000 individually or \$103,000 married filing jointly, the credit is not available to that taxpayer.