

Teacher Lesson Plan

Module 10: Education Credits

Time Frame

One to two class periods

Curriculum Area(s)

- Technology
- Civics/Government
- Family and Consumer Sciences
- History/Social Studies
- Economics

Purpose

To help students understand Education Credits available to taxpayers.

Objectives

Students will be able to:

- Explain the Hope Credit
- Explain the Lifetime Learning Credit
- Distinguish between the Hope Credit and Lifetime Learning Credit
- Explain the requirements for claiming these credits
- Explain the restrictions that apply to the credits
- Determine the eligibility for education credits by using Form 8863, Education Credits, to figure the credit

Materials

Online

[Student Lesson — Education Credits](#)

[Tax Tutorial — Education Credits](#)

[Simulation 10A — Claiming the Hope Credit](#)

[Simulation 10B — Claiming the Lifetime Learning Credit](#)

[Assessment — Education Credits](#)

[Assessment Solutions — Education Credits](#)

Print (PDF)

[Fact Sheet—Education Credits](#)

[Teacher Lesson Plan— Claiming Education Credits](#)

Tax Forms

Form 1040

Form 1040A

Form 8863

Background

Taxpayers have two credits available to help offset the costs of higher education. This reduces their income tax. These credits are the Hope Credit and Lifetime Learning Credit, also referred to as education credits.

The requirements for taking this credit depend on:

- Filing status and AGI or MAGI of the taxpayer
- Eligible Education institution
- Qualified tuition and related expenses

The Hope Credit allows taxpayers to claim a credit of up to \$1,650.

Taxpayers may claim a Lifetime Learning Credit of up to \$2,000.

Key Terms

AGI—adjusted gross income is total income reduced by certain amounts, such as student loan interest.

Hope Credit—the Hope Credit allows taxpayers to claim a credit of up to \$1,650 based on qualified tuition and related expenses paid for each eligible student.

Lifetime Learning Credit—taxpayers may claim a Lifetime Learning Credit of up to \$2,000 based on qualified tuition and related expenses paid for *all* eligible students enrolled in eligible educational institutions.

MAGI—modified adjusted gross income.

Opening the Lesson

Distribute Fact Sheet-Claiming Education Credits. Use the following questions to prompt students to share what they know about the credits:

- Name two education credits (*Hope Credit and Lifetime Learning Credit*)
- What is the difference between the Hope Credit and the Lifetime Learning Credit? (*Hope Credit is up to \$1,650 based on qualified educational institution for students who have not completed the first two years of postsecondary education and*

are enrolled in a program which leads to a degree. A Lifetime Learning Credit is up to \$2,000 for students enrolled in a postsecondary degree program or to improve or acquire job skills.)

Note: For students who may want to work independently on this module, refer them to [Student Lesson – Education Credits](#)

Developing the Lesson

Direct students to [Tax Tutorial-Education Credits](#), and explain that this tax tutorial focuses on two Education Credits available to taxpayers that help offset the costs of higher education by reducing their income tax. These credits are the Hope Credit and Lifetime Learning Credit.

Online activities

Direct students to [Simulation 10A-Claiming The Hope Credit](#) and [Simulation 10B-Claiming The Lifetime Learning Credit](#). Explain to students that by using the information provided, they will compute the Hope Credit for Jon Stillman and the Lifetime Learning Credit for Judy Hood.

Concluding the Lesson

After students have completed [Tax Tutorial-Education Credits](#), [Simulation 10A-Claiming the Hope Credit](#), and [Simulation 10B-Claiming the Lifetime Learning Credit](#), ask them whether they have any questions about the education credits. To ensure that they understand the material, ask the following questions:

- What tax credit is used for postsecondary education qualified tuition and expenses? (Hope Credit or *Lifetime Learning Credit*)
- What tax form is used to claim education credits? (*Form 8863, Education Credits*)
- What is the maximum credit a taxpayer can claim for the Hope Credit? (*Up to \$1,650 per student*)

Assessment

As a final review, summarize the major lesson points. Remind students that there are two education credits which allow qualifying taxpayers to reduce their tax liability: Hope Credit and Lifetime Learning Credit.

When students are comfortable with the material, have them complete Assessment for Education Credits.