

Tax Benefits Related to a CFP Program

There are two possible tax benefits that an individual may receive from enrolling in a CFP program. The cost of the courses may qualify for the Lifetime Learning Credit or they may be deductible as an education expense.

Lifetime Learning Credit

Students may be able to claim a lifetime learning credit of up to \$1,000 (\$2,000 in 2003) for qualified tuition and related expenses paid for enrollment in eligible educational institutions. There is no limit on the number of years for which the lifetime learning credit can be claimed. Generally, taxpayers can claim the lifetime learning credit if they pay qualified tuition and related expenses of higher education for an eligible student who is either the taxpayer, taxpayer's spouse, or a dependent for whom the taxpayer can claim an exemption on his or her tax return. For purposes of the lifetime learning credit, an eligible student is a student who is enrolled in one or more courses at an eligible educational institution. An eligible educational institution is any college, university, vocational school, or other postsecondary educational institution eligible to participate in a student aid program administered by the Department of Education. It includes virtually all accredited, public, nonprofit, and proprietary (privately owned profit-making) postsecondary institutions.

In general, qualified tuition and related expenses are tuition and fees required for enrollment or attendance at an eligible educational institution. Student-activity fees and fees for course-related books, supplies, and equipment are included in qualified tuition and related expenses only if the fees must be paid to the institution as a condition of enrollment or attendance. Thus, the books purchased for the CFP courses are not eligible for the lifetime learning credit. If a taxpayer pays qualified tuition and related expenses for an academic period that begins in the first three months of the following year, the taxpayer can use the prepaid amount in figuring the lifetime learning credit in the year the tuition and related expenses are paid.

Taxpayers can claim a lifetime learning credit for qualified tuition and related expenses paid with the proceeds of a loan. The taxpayer uses the expenses to figure the lifetime learning credit for the year in which the expenses are paid, not the year in which the loan is repaid. Qualified tuition and related expenses generally do not include expenses that relate to any course of instruction or other education that involves sports, games, or hobbies, or any noncredit course. However, if the course of instruction or other education is part of the student's degree program or is taken by the student to acquire or improve job skills, these expenses can qualify. Most CFP courses are noncredit courses but qualify for the lifetime learning credit because most participants are taking the courses to acquire or improve job skills. The amount of the lifetime learning credit is 20% of the first \$5,000 (\$10,000 for 2003) of qualified tuition and related expenses paid for all eligible students. The maximum amount of lifetime learning credit a taxpayer can claim is \$1,000 (\$2,000 for 2003). However, that amount may be reduced based on modified adjusted gross income.