

The American Opportunity Tax Credit:

Making College More Affordable for Students and Their Families

The President created the American Opportunity Tax Credit (AOTC) as part of the American Recovery and Reinvestment Act of 2009. The AOTC made college more affordable for millions of students and their families in 2009 and 2010. To continue making college affordable for millions of students, the President signed an extension of the AOTC (to tax years 2011 and 2012) into law as part of the Tax Relief, Unemployment Reauthorization and Job Creation Act of 2010.

For tax years 2009, 2010, 2011 and 2012, the law allows families with tuition expenses to receive a tax credit of up to \$2,500 each year for up to four years per student, with up to \$1,000 of the credit being refundable.

- ***\$18.2 Billion in AOTC Tax Credits:*** In 2011, the AOTC is expected to provide \$18.2 billion in tax relief to make college more affordable.
- ***Tax Credits for 9.4 Million Families with College Students:*** In 2011, 9.4 million families with college students are expected to receive an AOTC.
- ***Maximum Tax Credit of \$2,500:*** The credit equals 100 percent of the first \$2,000 of expenses, and 25 percent of remaining expenses, up to a total credit of \$2,500. The maximum available credit in 2011 would cover about 80 percent of tuition and fees at the average two-year public institution, or about a third of tuition and fees at the average four-year public institution in 2011.
- ***Average Tax Credit of \$1,900:*** The expected average \$1,900 AOTC credit in 2011 would cover about 70 percent of tuition and fees at an average two-year public institution, or about 25 percent of tuition and fees at an average four-year public institution in 2011.
- ***\$4.1 Billion in AOTC Refunds:*** The AOTC is refundable, meaning that low-income families with no federal income tax liability can receive the credit. These families are expected to receive more than \$4 billion in refunds in 2011.

Compared to Prior Law:

The AOTC improves on its predecessor, the Hope credit, in the following ways:

- **The AOTC provides a larger tax cut** than the HOPE credit for almost all students.
- **The AOTC applies to the first four years of college**, as opposed to the Hope credit which only covered the first two years. Third and fourth year students attending public colleges receive significantly larger benefits under AOTC, making it more likely that they will be able to continue their education.
- **The AOTC is refundable**, while the Hope credit was not, which allows low-income families without federal income tax liability to benefit from an education tax credit.
- **More families** are eligible for larger credits because the income limits were expanded compared to the Hope credit.
- **The AOTC covers text books**, a substantial cost to the typical college student, while the Hope credit did not.

American Opportunity Tax Credit
Estimates of Number of Recipients and Amount of Credit by State
Tax Year 2011

State	Returns with AOTC	Dollars of AOTC	
	in Thousands	Total in Millions	Average in Dollars
Alabama	154	291	1,900
Alaska	20	40	2,000
Arizona	166	285	1,700
Arkansas	65	115	1,800
California	1,148	1,862	1,600
Colorado	152	315	2,100
Connecticut	106	242	2,300
District of Columbia	16	31	2,000
Delaware	24	51	2,100
Florida	717	1,232	1,700
Georgia	327	598	1,800
Hawaii	38	77	2,000
Idaho	44	80	1,800
Illinois	425	885	2,100
Indiana	171	353	2,100
Iowa	78	160	2,000
Kansas	84	166	2,000
Kentucky	107	212	2,000
Louisiana	121	216	1,800
Maine	35	77	2,200
Maryland	191	402	2,100
Massachusetts	195	448	2,300
Michigan	356	727	2,000
Minnesota	185	413	2,200
Montana	25	49	1,900
Mississippi	86	146	1,700
Missouri	159	311	2,000
North Carolina	250	455	1,800
North Dakota	23	48	2,100
Nebraska	50	95	1,900
Nevada	81	134	1,700
New Hampshire	39	93	2,400
New Jersey	314	698	2,200
New Mexico	47	72	1,500
New York	654	1,366	2,100
Ohio	349	748	2,100
Oklahoma	87	156	1,800
Oregon	99	189	1,900
Pennsylvania	372	856	2,300
Rhode Island	32	70	2,200
South Carolina	119	226	1,900
South Dakota	26	56	2,200
Tennessee	162	308	1,900
Texas	763	1,411	1,800
Utah	99	183	1,800
Vermont	15	36	2,400
Virginia	231	475	2,100
Washington	171	337	2,000
Wisconsin	159	340	2,100
West Virginia	33	64	1,900
Wyoming	13	24	1,800
Total	9,384	18,224	1,900

U.S. Department of Treasury, Office of Tax Analysis

January 19, 2011

Notes:

Table is constructed by prorating projected totals of returns and dollars of AOTC for Tax Year 2011 over amounts reported for 2009 through December 2010, in IRS RS97 Processing Reports.

- Excludes U.S. Territories. Detail may not add to total due to rounding.