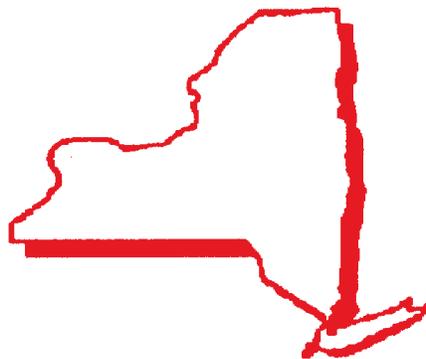


# FAQs: NEW YORK STATE COLLEGE TUITION CREDIT AND ITEMIZED DEDUCTION

For tax year 2006



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## FAQs: New York State College Tuition Credit and Itemized Deduction

### General

1) **Q:** What is the college tuition **credit**?

**A:** If you are a full-year New York State resident, the *college tuition credit* is a tax credit allowed against your New York State personal income tax for the qualified college tuition expenses paid by you (or treated as paid by you) for an eligible student.

2) **Q:** Who qualifies for the college tuition credit?

**A:** You qualify for the college tuition credit if you are a full-year New York State resident and have paid qualified college tuition expenses in 2006 to an institution of higher education on behalf of an eligible student. You also qualify for the credit for expenses paid by someone other than yourself on behalf of an eligible student if you claim the eligible student as a dependent on your return. These expenses are treated as paid by you for purposes of the credit.

If you are the eligible student, you may claim the credit if you are **not** claimed as a dependent on another person's New York State income tax return.

3) **Q:** What is the college tuition **itemized deduction**?

**A:** The *college tuition itemized deduction* is the amount of qualified college tuition expenses paid by you (or treated as paid by you) for an eligible student that is allowed to be deducted when computing your New York taxable income.

4) **Q:** Who qualifies for the college tuition itemized deduction?

**A:** You qualify for the college tuition itemized deduction if you are a full-year New York State resident, a part-year resident, or a full-year nonresident who paid qualified college tuition expenses in 2006 to an institution of higher education on behalf of an eligible student. You also qualify for the deduction for expenses paid by someone other than yourself on behalf of an eligible student if you claim the eligible student as a dependent on your return. These expenses are treated as paid by you for purposes of the deduction.

If you are the eligible student, you may claim the itemized deduction if you are **not** claimed as a dependent on another person's New York State income tax return.

5) **Q:** For which tax years does the credit or deduction apply?

**A:** The credit or deduction applies to tax years beginning in 2001 and thereafter. If you had qualifying college tuition expenses in 2003, 2004, and/or 2005 but did not claim either the credit or itemized deduction on your New York State personal income tax return, you may still claim these tax benefits by filing an amended tax return for the tax year during which the expenses were paid. For information on filing an amended New York State income tax return, see the instructions for Form IT-201-X, *Amended Resident Income Tax Return*, or Form IT-203-X, *Amended Nonresident and Part-Year Resident Income Tax Return*.

For most taxpayers, the statute of limitations for filing an amended personal income tax return and claiming the college tuition credit or itemized deduction for tax years 2001 and 2002 has expired.

6) **Q:** I am a full-year resident. Can I claim both the college tuition credit and the itemized deduction?

**A:** No, full-year residents may claim either the credit or the deduction, but not both.

7) **Q:** Do nonresidents and part-year residents qualify for the college tuition credit?

**A:** No, nonresidents and part-year residents do not qualify for the college tuition credit. However, they are eligible to claim the itemized deduction.

8) **Q:** Does an eligible student have to be enrolled in a degree program or attend college full-time for the tuition expenses to qualify for the credit or deduction?

**A:** No, the eligible student does not have to be enrolled in a degree program or attend full-time for the tuition expenses to qualify.

9) **Q:** Do tuition expenses paid to obtain a post baccalaureate or other graduate degree or the tuition paid to take a graduate-level course qualify for the credit or deduction?

**A:** No, tuition payments paid for the enrollment or attendance in a course of study leading to the granting of a post baccalaureate or other graduate degree or tuition paid to take a graduate-level course do not qualify for the credit or deduction.

## Definitions

10) **Q:** Who is an eligible student?

**A:** *Eligible students* include you, your spouse, or your dependent(s) (for whom an exemption for New York State income tax purposes is allowed).

- 11) **Q:** What are qualified college tuition expenses for purposes of this credit or deduction?
- A:** *Qualified college tuition expenses* mean the tuition required for the enrollment or attendance of the eligible student at an institution of higher education. It does not matter whether the expenses were paid by cash, check, credit card, or with borrowed funds. Qualified tuition expenses do not include tuition payments required for enrollment or attendance in a course of study leading to the granting of a post baccalaureate or other graduate degree, or tuition paid to take a graduate-level course.
- 12) **Q:** Are expenses paid from a qualified state tuition program (such as New York’s 529 College Savings Program) considered to be payments of qualified college tuition expenses for purposes of this credit or deduction?
- A:** Yes, qualified college tuition expenses paid on behalf of an eligible student from a qualified state tuition program (such as New York’s 529 College Savings Program) are considered to be payments of qualified college tuition expenses for purposes of the credit or deduction. If the student is claimed as a dependent on your tax return, these payments are treated as paid by you.
- 13) **Q:** I paid college tuition expenses to an institution of higher education that are deductible on my federal income tax return. Are these expenses considered qualified college tuition expenses?
- A:** Yes, the expenses are considered qualified college tuition expenses, and you can claim the New York credit or deduction for the expenses even though you deducted them on your federal return.
- 14) **Q:** I paid college tuition expenses to an institution of higher education that I used to claim a federal education credit. Are these expenses considered qualified college tuition expenses?
- A:** Yes, the expenses are considered qualified college tuition expenses, and you can claim the New York credit or deduction for the expenses even though you used them to claim the HOPE or Lifetime Learning federal education credits.
- 15) **Q:** Are there any college expenses that are not considered qualified college tuition expenses for purposes of the credit or deduction?
- A:** Yes, the following are **not** qualified college tuition expenses for purposes of the credit or deduction:
- tuition paid for enrollment or attendance in a course of study leading to the granting of a post baccalaureate or other graduate degree, and tuition paid to take a graduate level course;

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- tuition paid through the receipt of scholarships or financial aid (for this purpose, financial aid does not mean student loans or other loans and grants that must be repaid either before or after the student ceases attending school);
- amounts paid for room and board, insurance, medical expenses (including student health fees), transportation, or other similar personal, living, or family expenses; or
- fees for course-related books, supplies, equipment, and nonacademic activities, even if the fees are required to be paid to the institution as a condition of enrollment or attendance.

**16) Q:** What is considered an institution of higher education?

**A:** An *institution of higher education* means any institution of higher education or any business, trade, technical, or other occupational school located in or out of New York State, that:

- is recognized and approved by either the regents of the University of New York or a nationally recognized accrediting agency or association accepted by the regents; and
- provides a course of study leading to the granting of a post-secondary degree, certificate, or diploma (although, as mentioned in question 8, the eligible student does not need to be enrolled in a degree program).

**17) Q:** Is there a maximum amount of qualified college tuition expenses allowed in computing the credit or deduction?

**A:** Yes, the maximum expenses allowed are \$10,000 per eligible student. However, because both the credit and deduction were phased in over four years (2001-2004), only a percentage of the maximum qualified college tuition expenses (up to \$10,000 per eligible student) is allowed in computing the credit or deduction each year. The percentage for 2001 was 25%; for 2002, the percentage was 50%; for 2003, the percentage was 75%; and for 2004 and thereafter, it is 100%. There is no limit on the number of eligible students for whom you may claim a credit.

**18) Q:** I paid tuition expenses to attend a course at an institution of higher education, and, after the successful completion of the course, my employer reimbursed me for the expense of taking the course. Are these reimbursed tuition expenses eligible for the credit or deduction?

**A:** No, expenses reimbursed to you from your employer are not eligible for the college tuition credit or deduction. You must reduce the total of your qualified college tuition expenses by any refunds of qualified expenses, scholarships, or financial aid you receive, including employer reimbursements for qualified tuition expenses you paid.

## How to claim the credit or itemized deduction

19) **Q:** How do I claim the college tuition credit?

**A:** To claim the college tuition credit, complete Form IT-272, *Claim for College Tuition Credit or Itemized Deduction*, and attach it to your New York State resident income tax return.

20) **Q:** What if the amount of the credit exceeds my personal income tax for the year?

**A:** If the credit exceeds your personal income tax for the year, the excess credit will be refunded without interest.

21) **Q:** How do I calculate the amount of college tuition credit that I am allowed to claim?

**A:** If your total qualified college tuition expenses for all eligible students are \$5,000 or more, the credit for 2006 is 4% of your qualified college tuition expenses (up to \$10,000 per eligible student). Accordingly, for tax year 2006, the maximum tuition credit that may be claimed is \$400 per eligible student.

If your total qualified college tuition expenses for all eligible students are less than \$5,000, the credit is equal to the lesser of your qualified college tuition expenses or \$200.

22) **Q:** How do I claim the college tuition itemized deduction?

**A:** To claim the New York State college tuition itemized deduction, first itemize your deductions for federal and state income tax purposes.

- Full-year New York State residents must complete Form IT-272, *Claim for College Tuition Credit or Itemized Deduction*. Use the worksheets in the instructions for Form IT-272 to calculate your college tuition itemized deduction. Attach Form IT-272 to your Form IT-201, *Resident Income Tax Return*.
- Nonresidents and part-year residents **do not** complete Form IT-272. See the instructions for Form IT-203-B, *Nonresident and Part-Year Resident Income Allocation and College Tuition Itemized Deduction Worksheet*, to compute your itemized deduction.

Transfer the amount calculated to the applicable line on the New York State itemized deduction worksheet on Form IT-201 or Form IT-203, *Nonresident and Part-Year Resident Income Tax Return*, whichever is applicable.

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- 23) Q:** How is the college tuition itemized deduction calculated?
- A:** The college tuition itemized deduction for 2006 is equal to the amount of your qualified college tuition expenses paid, up to \$10,000 per eligible student.
- 24) Q:** I am a full-year New York State resident but changed my New York City resident status during 2006. I claimed the college tuition itemized deduction on my full-year New York State resident income tax return. How do I calculate my part-year city of New York resident college tuition itemized deduction on my part-year city form (Form IT-360.1)?
- A:** Your part-year city of New York college tuition itemized deduction for 2006 is equal to the amount of qualified college tuition expenses you paid on behalf of an eligible student during the period you were a resident of New York City, up to \$10,000 per eligible student. For more information, see the instructions for Form IT-360.1, *Change of City Resident Status*.

**Special rules**

- 25) Q:** My parents claim me as a dependent on their New York State income tax return. Can I claim the college tuition credit or deduction for the qualified tuition expenses that I pay?
- A:** No, if you are claimed as a dependent on your parent's New York State return, you cannot claim the college tuition credit or deduction. However, the qualified college tuition expenses paid by you are considered to be paid by the taxpayer who claims you as a dependent. Accordingly, your parents may claim the credit or deduction for those expenses.
- 26) Q:** I am an eligible student, but my qualified college tuition expenses were paid by someone other than my parents or me. Can I claim the credit or deduction for these expenses?
- A:** Generally, qualified college tuition expenses paid on behalf of an eligible student by someone other than the student (such as a relative) are treated as paid by the student. Accordingly, if you are not claimed as a dependent on someone's New York State income tax return, you can claim the credit or deduction for those expenses. However, if you are claimed as a dependent on another person's New York State income tax return, qualified college tuition expenses paid (or treated as paid) by you are treated as paid by the person who claims you as a dependent. Therefore, the person who claims you as a dependent can claim the credit or deduction for those expenses.
- 27) Q:** I was entitled to claim an eligible student as a dependent on my federal return but chose not to in order to allow the eligible student to claim the federal education credit on her federal tax return. However, I intend to claim the eligible student as a dependent on my New York State income tax return. Can I claim the New York State college tuition credit or deduction for

qualified college tuition expenses paid on behalf of a student that I claim as a dependent on my New York State return but choose not to claim as a dependent on my federal return?

**A:** Yes, you can claim the college tuition credit or deduction for qualified college tuition expenses paid on behalf of an eligible student claimed as a dependent on your New York State income tax return, even if you choose not to claim the person as a dependent on your federal return. However, an eligible student claimed as a dependent on your New York State return cannot claim the college tuition credit or deduction for those expenses.

**28) Q:** Are there any special rules for married persons filing a separate return?

**A:** If you and your spouse are filing separate returns and you qualify to claim the credit, you must each file a separate Form IT-272, *Claim for College Tuition Credit or Itemized Deduction*, to claim your credit; or, one spouse may claim the college tuition credit, and the other spouse may claim the itemized deduction. You must each claim your separately computed credit or deduction based only on the amount of qualified college tuition expenses you paid (or were treated as paid by you) for yourself, your spouse, or a person whom you claim as a dependent on your separate return. You cannot claim a credit or deduction for qualified college tuition expenses that you paid for your spouse's dependent. (These expenses are treated as paid by your spouse for purposes of the credit or deduction.)

**29) Q:** Is there a limit on the number of eligible students for whom I may claim the credit or deduction?

**A:** No, there is no limit on the number of eligible students for whom you may claim the credit or deduction. However, the maximum amount of qualified college tuition expenses allowed for each eligible student is \$10,000 (see question 17).

**30) Q:** I am a full-year New York State resident and paid qualified college tuition expenses on behalf of two eligible students. May I claim the credit for one eligible student and the deduction for the other?

**A:** No, you may claim either the credit or the deduction, but not both.

**31) Q:** My wife and I are full-year New York State residents filing a joint return. Can I claim the credit for the qualified tuition expenses that I paid, and can my wife claim the deduction for the expenses she paid?

**A:** No, if you are filing a joint return, you can claim the credit or deduction, but not both.

**Credit vs. deduction - which is better?**

- 32) **Q:** I am a full-year New York State resident and qualify to claim either the credit or deduction. How do I determine if the college tuition credit or the itemized deduction offers me the better tax savings?
- A:** A worksheet is provided in the instructions for Form IT-272, *Claim for College Tuition Credit or Itemized Deduction*, to help you determine whether the credit or the deduction provides the greater tax savings.

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