

U.S. DEPARTMENT OF THE TREASURY

Press Center



Secretaries Geithner, Duncan Highlight Tax Credit that Helps Put College within Reach for American Families

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New Treasury Analysis Shows 9.4 Million Families Expected to Receive More Than \$18.2 Billion in Tax Relief From American Opportunity Tax Credit This Year

To read a joint blog post from Secretaries Geithner and Duncan on the AOTC, click [here](#).

For the new Treasury analysis, "The American Opportunity Tax Credit: Making College More Affordable for Students and Their Families," click [here](#) .

WASHINGTON – In a town hall-style discussion today with parents, students and educators from Woodrow Wilson Senior High School, Treasury Secretary Tim Geithner and Education Secretary Arne Duncan talked about initiatives the Obama Administration has undertaken to make college more affordable for all Americans, including the American Opportunity Tax Credit (AOTC).

"America's prosperity depends on the economic policies we pursue to strengthen our nation's competitiveness," Geithner said. "And the strength and competitiveness of our nation will depend largely on continuing to have the best educated students in the world."

"We cannot underestimate the impact of the American Opportunity Tax Credit on 9.4 million students nationwide," Duncan said. "This tax credit will make college more affordable for our future business leaders, scientists and teachers and help families struggling with rising tuition bills and growing student loans."

Geithner and Duncan talked about the benefits of the AOTC, which allows parents and students to receive a tax credit of up to \$2,500 for college expenses, and how it can help make postsecondary education a reality for many students and families. They also discussed a new Treasury Department analysis showing that 9.4 million families with college students are expected to benefit from the credit in 2011. The AOTC is expected to provide \$18.2 billion in tax relief to make college more affordable next year, and families are expected to benefit from an average credit of \$1,900.

The Obama Administration extended the AOTC, which was initially created under the Recovery Act, for an additional two years as part of the year-end tax cut package the President signed last month. The AOTC replaced the Hope credit for 2009 and 2010 and with this extension will continue to do so for 2011 and 2012. For students claiming the maximum credit for these four years, the AOTC will provide up to \$10,000 to help pay for the cost of college. The maximum available credit this year 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, according to a new Treasury analysis.

The AOTC improves on its predecessor, the Hope credit, by providing larger tax cut for almost all students, applying to the first four rather than two years of college, and covering text books, a substantial cost to the typical college student, while the Hope credit did not. In addition, the AOTC is partially refundable, meaning that families with no federal income tax liability can receive the credit. These families are expected to receive more than \$4 billion in refunds from the AOTC in 2011. In addition, more families are eligible for larger credits because the income limits were expanded compared to the Hope credit.

Along with the tax credit, Secretaries Geithner and Duncan highlighted several other initiatives the Administration has undertaken to make college more affordable and accessible, including simplifying the Free Application for Federal Student Aid and increasing Pell grants, which are the main source of federal aid for low-income students enrolled in institutions of higher education.

