The Lifetime Learning Credit is a tax credit for any person who takes college classes. It provides a tax credit of 20% of tuition expenses, with a maximum of $2,000 in tax credits on the first $10,000 of college tuition expenses. You can claim the Lifetime Learning Credit on your tax return if you, your spouse, or your dependents are enrolled at an eligible educational institution and you were responsible for paying college expenses. Unlike the American Opportunity credit, you need not be in the first four years of undergraduate classes. Even if you took only one class, you may take advantage of the Lifetime Learning Credit.

Eligible Educational Institutions
All accredited colleges and universities are eligible educational institutions. Additionally, vocational schools and other post-secondary institutions are also eligible. Basically, if the institution is eligible to participate in federal student aid programs through the US Department of Education, then you may use tuition paid to the school for claiming the Lifetime Learning tax credit.

Qualifying Expenses
Qualifying expenses include amounts paid for tuition and any required fees (such as registration and student body fees). Qualifying expenses do not include any of the following: books, supplies, equipment, room and board, insurance, student health fees, transportation, or living expenses.

You must be responsible for paying the college tuition and fees. You also need reduce your qualifying expenses when figuring your tax credit by the amount of financial assistance received from grants, scholarships, or reimbursements from your employer. You do not need to reduce your qualifying expenses, however, if you paid for college tuition using borrowed funds, including student loans, or by using gifts from family members.

Who Can Claim the Education Credits?
If your son or daughter is going to college and you claim him or her as a dependent, then you can claim the education credits on your tax return. If your son or daughter is no longer a dependent, then he or she should claim any education credits on his or her own tax return. If you pay the college expenses for someone who is not your dependent, you cannot claim any the tax credit.

Income Limitations on Lifetime Learning Credit
The amount of the Lifetime Learning Credit is limited over a phase-out range. If your adjusted gross income is below the phase-out, your credits are not reduced. If your income is in the middle of the phase-out range, your credits will be reduced. If your income exceeds the phase-out range, you are not eligible to claim the Lifetime Learning tax credit.

For the year 2012, the income phase-out ranges are:

- $52,000 to $62,000 : Single, Head of Household, or Qualifying Widow
- $104,000 to $124,000 : Married Filing Jointly

For the year 2013, the income phase-out ranges are:

- $53,000 to $63,000 : Single, Head of Household, or Qualifying Widow
- $107,000 to $127,000 : Married Filing Jointly

Compare this with the income limitations on the tuition and fees tax deduction. For 2012, the full $4,000 deduction is allowed if you earn less than $65,000 (single, head of household, qualifying widow) or less than $130,000 (married filing jointly). The deduction is limited to $2,000 if your income is between $65,000 and $80,000 (unmarried taxpayers) or is between $130,000 and $160,000 (married filing jointly).