

Focus the Lifetime Learning Tax Credit on Skills Development at Low-Cost Institutions

The \$2,000 Lifetime Learning Credit (LLC) is available to students who do not qualify for the more broadly used American Opportunity Tax Credit (AOTC). The AOTC is generally available to undergraduate students enrolled half-time or more, while the LLC primarily benefits part-time, non-credit, and post-baccalaureate students.

Unfortunately, the LLC has failed to live up to its promise of providing useful financial assistance for workers to enhance their skills. The primary reason is that the credit covers only 20% of a student's tuition and fees, thereby providing little incentive for incumbent workers to use the credit to stay abreast of the changing economy by enrolling in technical training programs at low-cost community colleges. For example, a student taking two courses at a community college each year and paying the approximate national average of \$1,050 for tuition and books receives only \$210 through the LLC. Alternatively, those enrolled in programs costing \$10,000 or more each year, particularly graduate and professional students, receive \$2,000, nearly ten times that amount. This dynamic is especially ironic given that the credit, as reflected in its name, was originally designed to assist individuals in maintaining their skills for the workforce, rather than providing a substantial subsidy to post-baccalaureate students.

AACC proposes that the LLC be modified to cover 100% of a student's first \$2,000 of qualified tuition and fees for occupationally oriented programs. Although the LLC is currently available to students regardless of program, as long as it is offered at an eligible institution under the Higher Education Act, the more favorable eligibility formula (with the same \$2,000 annual limit) would be focused directly on workforce offerings. The revised structure would incentivize students to choose low-cost options, particularly at community colleges.

To qualify for the workforce LLC, individuals would need to certify on their tax forms that the tuition and fees paid were for courses aimed at enhancing workforce competencies, subject to audit.

This proposed change would serve as a dramatic recruiting tool for business and help thousands of incumbent workers sharpen their skills. It would also represent a major step forward in federal workforce development policy.

For more information, please contact [David Baime, Senior VP for Government Relations](#).