



Addendum: 2016 The Essential 1040

Revision #1

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The chart below corrects the MFJ lifetime learning credit phase-out amounts for 2016 from \$110,000 – 130,000 to \$111,000 – \$131,000.

Filing Status	American Opportunity Tax Credit MAGI	Lifetime Learning Credit MAGI
MFJ	\$160,000 – \$180,000	\$111,000 – \$131,000
S, HH, QW	\$80,000 – \$90,000	\$55,000 – \$65,000
MFS	No credit allowed	No credit allowed



The chart below corrects the MFJ lifetime learning credit phase-out amounts for 2016 from \$110,000 to \$111,000 and 130,000 to \$131,000.

Comparison chart		
	AOTC	Lifetime learning credit
Maximum credit	\$2,500 per student.	\$2,000 per return.
Phase-out begins at MAGI	\$160,000 MFJ; \$80,000 all others except MFS who cannot claim the credit.	\$111,000 MFJ; \$55,000 all others except MFS who cannot claim the credit.
Phase-out ends at MAGI	\$180,000 MFJ; \$90,000 all others except MFS who cannot claim the credit.	\$131,000 MFJ; \$65,000 all others except MFS who cannot claim the credit.
Refundable	Up to \$1,000 refundable if taxpayer claiming the credit is not subject to the kiddie tax rules.	Not refundable.
Number of years of postsecondary education	Within first four years of postsecondary education.*	Unlimited.
Type of degree required	Must be pursuing an undergraduate degree or other recognized education credential.	None.
Status	Must be at least a half-time student.	There is no status requirement.
Felony drug conviction	Students with a felony drug conviction are ineligible for this credit.	Students with a felony drug conviction are still eligible for this credit.
Qualified expenses	Tuition and fees - course related books, supplies, and equipment regardless of where purchased.	Tuition and fees - amounts required to be paid to the institution for course related books, supplies, and equipment.
Payments for academic periods	Payments made in 2016 for academic periods beginning in 2016 and in the first three months of 2017 count towards the 2016 credit.	

* It can take longer than four years to finish a "4-year degree." However, the taxpayer can claim the AOTC for only four calendar years.



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The chart below corrects that QIP is **not** subject to the rule that the taxpayer must lease the building and the taxpayer must place the improvement into service more than three years after the building was placed in service.

Type	Life	Bonus?	3-year rule	Unrelated party rule	§179?	Code
QRIP	15	Yes*	Yes	No	Yes	§168(e)(8)
QRP	15	No	No	No	Yes	§168(e)(7)
QLIP	15	Yes	Yes	Yes	Yes	§168(e)(6)
QIP	39	Yes	No	No	No	§168(k)(3)

*QRIP made before 2016 do not qualify for bonus depreciation.

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Revision #2

Page 157

This corrects the annual fee for obtaining PTIN. The PTIN is valid for one calendar year and renewed annually, beginning in October, for an annual fee of \$33, plus \$17 third party vendor fee for a total of \$50.

Date of revision: 10/07/2016

Revision #3

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This corrects the end of the sentence in the note box.

NOTE: These exceptions allow certain full-size pick-up trucks with a GVWR of more than 6,000 pounds and with a box of at least six feet in length to qualify for a §179 expensing amount greater than \$25,000.

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This removes the note box.

Date of revision: 10/25/2016