

SAVINGS PROGRAMS AND TAX INCENTIVES

Do not rely on this chart alone for information. See IRS Publication 970 for details. CAUTION: You generally cannot claim more than one benefit for the same education expense.

	Scholarships, Fellowships, Grants, and Tuition Reductions	Hope Credit	Lifetime Learning Credit	Student Loan Interest Deduction	Tuition and Fees Deduction
What is your benefit?	Amounts received may not be taxable	Credits can reduce amount of tax you must pay		Can deduct interest paid	Can deduct expenses
What is the annual limit?	None	\$1,650 credit per student	\$2,000 credit per family	\$2,500 deduction	\$4,000 deduction
What expenses qualify besides tuition and required enrollment fees?	Course-related expenses such as fees, books, supplies, and equipment	None	None	Books Supplies Equipment Room & board Transportation Other necessary expenses	None
What education qualifies?	Undergraduate & graduate K-12	1st 2 years of undergraduate (postsecondary)	Undergraduate & graduate Courses to acquire or improve job skills	Undergraduate & graduate	Undergraduate & graduate
What are some of the other conditions that apply?	Must be in degree or vocational program Payment of tuition and required fees must be allowed under the grant	Can be claimed for only 2 tax years Must be enrolled at least half-time in degree program No felony drug conviction(s)		Must have been at least half-time student in degree program	Cannot claim both deduction & education credit for same student in same year
In what income range do benefits phase out?	No phaseout	\$45,000–\$55,000 \$90,000–\$110,000 for joint returns		\$50,000–\$65,000 \$105,000–\$135,000 for joint returns	\$65,000–\$80,000 \$130,000–\$160,000 for joint returns

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	Coverdell ESA*	Qualified Tuition Program (QTP)*	Educational Exception to Additional Tax on Early IRA Distributions*	Education Savings Bond Program*	Employer-Provided Educational Assistance*	Business Deduction for Work-Related Education
What is your benefit?	Earnings not taxed	Earnings not taxed	No 10% additional tax on early distribution	Interest not taxed	Employer benefits not taxed	Can deduct expenses
What is the annual limit?	\$2,000 contribution per beneficiary	None	Amount of qualified education expenses	Amount of qualified education expenses	\$5,250 exclusion	Amount of qualifying work-related education expenses
What expenses qualify besides tuition and required enrollment fees?	Books Supplies Equipment Expenses for special needs services Payments to QTP Higher education: Room & board if at least half-time student Elem/sec (K -12) education: Tutoring Room & board Uniforms Transportation Computer access Supplementary expenses	Books Supplies Equipment Room & board if at least half-time student Expenses for special needs services	Books Supplies Equipment Room & board if at least half-time student Expenses for special needs services	Payments to Coverdell ESA Payments to QTP	Books Supplies Equipment	Transportation Travel Other necessary expenses
What education qualifies?	Undergraduate & graduate K-12	Undergraduate & graduate	Undergraduate & graduate	Undergraduate & graduate	Undergraduate & graduate	Required by employer or law to keep present job, salary, status Maintain or improve job skills
What are some of the other conditions that apply?	Assets must be distributed at age 30 unless special needs beneficiary			Applies only to qualified series EE bonds issued after 1989 or series I bonds		Cannot be to meet minimum educational requirements of present trade/ business Cannot qualify you for new trade/ business
In what income range do benefits phase out?	\$95,000–\$110,000 \$190,000–\$220,000 for joint returns	No phaseout	No phaseout	\$63,100–\$78,100 \$94,700–\$124,700 for joint returns	No phaseout	May be subject to limit on itemized deductions

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*Any nontaxable distribution is limited to the amount that does not exceed qualified education expenses.