

## Appendix B. Highlights of Tax Benefits for Education for Tax Year 2007

*This chart highlights some differences among the benefits discussed in this publication. See the text for definitions and details. Do not rely on this chart alone.*

**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
<b>What is your benefit?</b>	Amounts received may not be taxable	Credits can reduce amount of tax you must pay		Can deduct interest paid	Can deduct expenses
<b>What is the annual limit?</b>	None	\$1,650 credit per student	\$2,000 credit per family	\$2,500 deduction	\$4,000 deduction
<b>What expenses qualify besides tuition and required enrollment fees?</b>	Course-related expenses such as fees, books, supplies, and equipment	None	None	Books Supplies Equipment  Room & board  Transportation  Other necessary expenses	None
<b>What education qualifies?</b>	Undergraduate & graduate  K-12	1st 2 years of undergraduate (postsecondary)	Undergraduate & graduate  Courses to acquire or improve job skills	Undergraduate & graduate	Undergraduate & graduate
<b>What are some of the other conditions that apply?</b>	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
<b>In what income range do benefits phase out?</b>	No phaseout	\$47,000 – \$57,000  \$94,000 – \$114,000 for joint returns		\$55,000 – \$70,000  \$110,000 – \$140,000 for joint returns	\$65,000 – \$80,000  \$130,000 – \$160,000 for joint returns

(Continued)

**Appendix B. (Continued)**

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	<b>Coverdell ESA*</b>	<b>Qualified Tuition Program (QTP)*</b>	<b>Educational Exception to Additional Tax on Early IRA Distributions*</b>	<b>Education Savings Bond Program*</b>	<b>Employer-Provided Educational Assistance*</b>	<b>Business Deduction for Work-Related Education</b>
<b>What is your benefit?</b>	Earnings not taxed	Earnings not taxed	No 10% additional tax on early distribution	Interest not taxed	Employer benefits not taxed	Can deduct expenses
<b>What is the annual limit?</b>	\$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
<b>What expenses qualify besides tuition and required enrollment fees?</b>	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
<b>What education qualifies?</b>	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
<b>What are some of the other conditions that apply?</b>	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
<b>In what income range do benefits phase out?</b>	\$95,000 – \$110,000  \$190,000 – \$220,000 for joint returns	No phaseout	No phaseout	\$65,600 – \$80,600  \$98,400 – \$128,400 for joint returns	No phaseout	May be subject to limit on itemized deductions

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