

Appendix B. Highlights of Education Tax Benefits for Tax Year 2017

This chart highlights some differences among the benefits discussed in this publication. See the text for definitions and details. Don't rely on this chart alone.

Caution: You generally can't claim more than one benefit for the same education expense.

	Scholarships, Fellowship Grants, and Tuition Reductions	American Opportunity Credit	Lifetime Learning Credit	Student Loan Interest Deduction	Tuition and Fees Deduction	Coverdell ESA [†]	Qualified Tuition Program (QTP) [†]	Education 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?	Amounts received may not be taxable	Credits can reduce the amount of tax you must pay. 40% of the credit may be refundable (limited to \$1,000 per student).	Credits can reduce the amount of tax you must pay	Can deduct interest paid	See chapter 6	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?	None	\$2,500 credit per student	\$2,000 credit per tax return	\$2,500 deduction	See chapter 6	\$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?	Course-related expenses such as fees, books, supplies, and equipment	Course-related books, supplies, and equipment	Amounts paid for required books, etc., that must be paid to the educational institution, are required fees	Books Supplies Equipment Room & board Transportation Other necessary expenses	See chapter 6	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 Computer or peripheral equipment, computer software, or Internet access and related services 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

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What education qualifies?	Undergraduate & graduate K-12	Undergraduate & graduate	Undergraduate & graduate Courses to acquire or improve job skills	Undergraduate & graduate	See <u>chapter 6</u>	Undergraduate & graduate K-12	Undergraduate & graduate K-12 for no more than \$10,000 of tuition incurred after 2017 paid from a distribution made after 2017	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?	Must be in degree or vocational program Payment of tuition and required fees must be allowed under the grant	Can be claimed for only 4 tax years (which includes years Hope scholarship credit claimed) Must be enrolled at least half-time in degree program No felony drug conviction(s) Must not have completed first 4 years of postsecondary education before end of preceding tax year.	No other conditions	Must have been at least half-time student in degree program	See <u>chapter 6</u>	Assets must be distributed at age 30 unless special needs beneficiary	No other conditions	No other conditions	Applies only to qualified series EE bonds issued after 1989 or series I bonds	No other conditions	Can't be to meet minimum educational requirements of present trade/business Can't qualify you for new trade/business
In what income range do benefits phase out?	No phaseout	\$80,000 – \$90,000 \$160,000 – \$180,000 for joint returns	\$56,000 – \$66,000 \$112,000 – \$132,000 for joint returns	\$65,000 – \$80,000 \$135,000 – \$165,000 for joint returns	See <u>chapter 6</u>	\$95,000 – \$110,000 \$190,000 – \$220,000 for joint returns	No phaseout	No phaseout	\$78,150 – \$93,150 \$117,250 – \$147,250 for joint returns	No phaseout	No phaseout

[†]Any nontaxable distribution is limited to the amount that doesn't exceed qualified education expenses.