

1 Benefits, Requirements and Limitations of Specific Tax Breaks

TAX BREAKS: BASIC CHARACTERISTICS								
	Education Savings Account	American Opportunity (Hope) Credit	Lifetime Learning Credit	Student Loan Interest Deduction	Qualified Tuition Programs	Employee Assistance Plans	Savings Bond Interest Deduction	IRA Withdrawals
Income ranges over which eligibility is phased out	2002 to 2010: modified AGI \$95-110,000 (single), \$190-220,000 (joint) Beginning in 2011: Joint income limits drop to \$150-160,000	2009 and 2010: Modified AGI \$80-90,000 (single), \$160-180,000 (joint) (2009, as indexed) Beginning in 2011, will revert to \$50-60,000 (single), \$100-120,000 (joint) (as indexed)	Modified AGI \$50-60,000 (single), \$100-120,000 (joint) (2009, as indexed)	2002 to 2010: \$60-75,000 (single), \$120-150,000 (joint), (2009, as indexed) Beginning in 2011: modified AGI \$40-55,000 (single), \$60-75,000 (joint) (as indexed)	None	None	Modified AGI \$69,950-84,950 (single), \$104,900-134,900 (joint) (2009, as indexed)	None
Annual dollar limit	Contribution per beneficiary: 2002 to 2010: \$2000 by April 15 of following year. Beginning in 2011: \$500 by Dec. 31. Distributions limited to amount of qualified expenses.	2009 and 2010: \$2500. Beginning in 2011, \$1800 per student (indexed for inflation)	\$2000 per tax return	\$2500	Contribution limit depends on the plan. See <i>Highlights</i> and <i>Tips</i> regarding gift tax issues. Distributions limited to amount of qualified expenses.	\$5250	Up to amount of qualified expenses	Up to amount of qualified expenses

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WHOSE EXPENSES ARE ELIGIBLE?								
	Education Savings Account	American Opportunity (Hope) Credit	Lifetime Learning Credit	Student Loan Interest Deduction	Qualified Tuition Programs	Employee Assistance Plans	Savings Bond Interest Deduction	IRA Withdrawals
Taxpayer	Yes, if he/she is the beneficiary	Yes	Yes	Yes	Yes, if he/she is the beneficiary	Yes, if he/she is the employee	Yes	Yes
Taxpayers spouse	Yes, if he/she is the beneficiary	Yes	Yes	Yes	Yes, if he/she is the beneficiary	Yes, if he/she is the employee	Yes	Yes
Dependent	Yes, if he/she is the beneficiary	Yes	Yes	Yes, any dependent of taxpayer as of time debt was incurred	Yes, if he/she is the beneficiary	Yes, if he/she is the employee	Yes	Child, grandchild
Others	Can roll over to member of beneficiary's family	No	No	No	Yes, if change beneficiary to another family member or, from 2002 to 2010, roll over to new plan with different family member beneficiary.	No	No	Child, grandchild

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WHAT EXPENSES ARE ALLOWABLE?								
	Education Savings Account	American Opportunity (Hope) Credit	Lifetime Learning Credit	Student Loan Interest Deduction	Qualified Tuition Programs	Employee Assistance Plans	Savings Bond Interest Deduction	IRA Withdrawals
Tuition and fees	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Books	Yes, and supplies	2009 and 2010: Yes. Beginning in 2011, No.	No	Yes	Yes	Yes ¹	No	Yes, and supplies
Room and board	Yes ²	No	No	Yes	Yes, if half-time or more	No	No	Yes, if half-time or more
Computer technology, equipment, Internet service	No	2009 and 2010: only if the computer is needed for enrollment or attendance at the educational institution. Beginning in 2011, No.	No	No	For 2009 and 2010, yes, while enrolled at an eligible educational institution. Beginning in 2011, no.	No	No	No

¹ Also supplies and equipment except those that can be retained after course ends

² If half-time or more and working toward recognized educational credential

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REQUIREMENTS FOR STUDENT AND INSTITUTION

	Education Savings Account	American Opportunity (Hope) Credit	Lifetime Learning Credit	Student Loan Interest Deduction	Qualified Tuition Programs	Employee Assistance Plans	Savings Bond Interest Deduction	IRA Withdrawals
Eligible student required?	No	Yes	Yes, except for expenses to acquire or improve job skills	Yes	No, except for room and board expenses	No	No	No
Eligible institution required?	Yes ³	Yes ³	Yes ³	Yes ³	Yes ³	No	Yes ³	Yes ³
% time required	NA except half-time for room and board	Half-time	Half-time ⁴	Half-time	NA except half-time for room and board	NA	NA	NA except half-time for room and board

³ Definitions of eligible institutions vary for different tax breaks. Generally, they are post-secondary educational institutions eligible to participate in the federal student loan program, but may include others.

⁴ Can be less if education is for acquiring or improving job skills.

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TYPE OF EDUCATION PROGRAM COVERED								
	Education Savings Account	American Opportunity (Hope) Credit	Lifetime Learning Credit	Student Loan Interest Deduction	Qualified Tuition Programs	Employee Assistance Plans	Savings Bond Interest Deduction	IRA Withdrawals
Undergraduate	Yes	Yes. For 2009 and 2010, first four years. Beginning in 2011, first two years only.	Yes	Yes	Yes	Yes	Yes	Yes
Graduate	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
Recognized credential	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Not specified
To acquire or improve job skills	No	No	Yes	No	No	Yes	Yes	Not specified
Elementary and Secondary school	2002 to 2010: Yes ⁵ Beginning in 2011: No	No	No	No	No	No	No	No

⁵ For public or private school expenses: tuition, fees, tutoring, books, computer equipment, room and board, uniforms, extended day care, services for special needs students.

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ADDITIONAL RESTRICTIONS ON CLAIMING TAX BREAKS

	Education Savings Account	American Opportunity (Hope) Credit	Lifetime Learning Credit	Student Loan Interest Deduction	Qualified Tuition Programs	Employee Assistance Plans	Savings Bond Interest Deduction	IRA Withdrawals
# times can claim	No limit, but must use by age 30	2009 and 2010: first four years per student, Beginning in 2011, first two years per student.	No limit	2002 to 2010: No limit Beginning in 2011: Limited to first 60 payments	No federal limit	No federal limit	No limit	No limit
Can you claim if you are the dependent of another?	Yes	No, but expenses paid by a dependent are treated as paid by the parent	No, but expenses paid by a dependent are treated as paid by the parent	No	No federal restriction	No federal restriction	Yes	Yes
Married couples must file jointly to claim?	Apparently, no	Yes	Yes	Yes	No	No	Yes	No