

1 Benefits, Requirements and Limitations of Specific Tax Breaks

| <b>TAX BREAKS: BASIC CHARACTERISTICS</b>                  |   |  |   |   |   |                                  |   |                                    |
|---|---|--|---|---|---|----------------------------------|---|------------------------------------|
|   | <b>Education Savings Account</b>  | <b>American Opportunity (Hope) Credit</b>  | <b>Lifetime Learning Credit</b>   | <b>Student Loan Interest Deduction</b>  | <b>Qualified Tuition Programs</b>   | <b>Employee Assistance Plans</b> | <b>Savings Bond Interest Deduction</b>  | <b>IRA Withdrawals</b>             |
| <b>Income ranges over which eligibility is phased out</b> | 2002 to 2010: modified AGI \$95-110,000 (single), \$190-220,000 (joint)<br><br>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)<br><br>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)<br><br>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                               |
| <b>Annual dollar limit</b>                                | Contribution per beneficiary: 2002 to 2010: \$2000 by April 15 of following year.<br><br>Beginning in 2011: \$500 by Dec. 31.<br><br>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 and Tips</i> regarding gift tax issues.<br><br>Distributions limited to amount of qualified expenses. | \$5250                           | Up to amount of qualified expenses  | Up to amount of qualified expenses |

## 2 Benefits, Requirements and Limitations of Specific Tax Breaks

| <b>WHOSE EXPENSES ARE ELIGIBLE?</b> |   |   |                                 |   |  |                                  |  |                        |
|-------------------------------------|---|---|---------------------------------|---|--|----------------------------------|--|------------------------|
|                                     | <b>Education Savings Account</b>                | <b>American Opportunity (Hope) Credit</b> | <b>Lifetime Learning Credit</b> | <b>Student Loan Interest Deduction</b>                      | <b>Qualified Tuition Programs</b>  | <b>Employee Assistance Plans</b> | <b>Savings Bond Interest Deduction</b> | <b>IRA Withdrawals</b> |
| <b>Taxpayer</b>                     | 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                    |
| <b>Taxpayers spouse</b>             | 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                    |
| <b>Dependent</b>                    | 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      |
| <b>Others</b>                       | 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      |

### 3 Benefits, Requirements and Limitations of Specific Tax Breaks

| <b>WHAT EXPENSES ARE ALLOWABLE?</b>                     |                                  |   |                                 |  |   |                                  |  |                           |
|---|----------------------------------|---|---------------------------------|--|---|----------------------------------|--|---------------------------|
|   | <b>Education Savings Account</b> | <b>American Opportunity (Hope) Credit</b>   | <b>Lifetime Learning Credit</b> | <b>Student Loan Interest Deduction</b> | <b>Qualified Tuition Programs</b>   | <b>Employee Assistance Plans</b> | <b>Savings Bond Interest Deduction</b> | <b>IRA Withdrawals</b>    |
| <b>Tuition and fees</b>                                 | Yes                              | Yes   | Yes                             | Yes                                    | Yes   | Yes                              | Yes                                    | Yes                       |
| <b>Books</b>  | Yes, and supplies                | 2009 and 2010: Yes. Beginning in 2011, No.  | No                              | Yes                                    | Yes   | Yes <sup>1</sup>                 | No                                     | Yes, and supplies         |
| <b>Room and board</b>                                   | Yes <sup>2</sup>                 | No  | No                              | Yes                                    | Yes, if half-time or more   | No                               | No                                     | Yes, if half-time or more |
| <b>Computer technology, equipment, Internet service</b> | 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                        |

<sup>1</sup> Also supplies and equipment except those that can be retained after course ends

<sup>2</sup> If half-time or more and working toward recognized educational credential

#### 4 Benefits, Requirements and Limitations of Specific Tax Breaks

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

<sup>3</sup> 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.

<sup>4</sup> Can be less if education is for acquiring or improving job skills.

## 5 Benefits, Requirements and Limitations of Specific Tax Breaks

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

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

6 Benefits, Requirements and Limitations of Specific Tax Breaks

| <b>ADDITIONAL RESTRICTIONS ON CLAIMING TAX BREAKS</b>     |                                  |  |  |   |                                   |                                  |  |                        |
|---|----------------------------------|--|--|---|-----------------------------------|----------------------------------|--|------------------------|
|   | <b>Education Savings Account</b> | <b>American Opportunity (Hope) Credit</b>  | <b>Lifetime Learning Credit</b>  | <b>Student Loan Interest Deduction</b>  | <b>Qualified Tuition Programs</b> | <b>Employee Assistance Plans</b> | <b>Savings Bond Interest Deduction</b> | <b>IRA Withdrawals</b> |
| <b># times can claim</b>                                  | 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<br><br>Beginning in 2011: Limited to first 60 payments | No federal limit                  | No federal limit                 | No limit                               | No limit               |
| <b>Can you claim if you are the dependent of another?</b> | 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                    |
| <b>Married couples must file jointly to claim?</b>        | Apparently, no                   | Yes  | Yes  | Yes   | No                                | No                               | Yes                                    | No                     |