

1 Benefits, Requirements and Limitations of Specific Tax Breaks

<b>TAX BREAKS: BASIC CHARACTERISTICS</b>								
	<b>Education Savings Account</b>	<b>Hope Scholarship 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)  Beginning in 2011: Joint income limits drop to \$150-160,000	Modified AGI \$45-55,000 (single), \$90-110,000 (joint) (2006, as indexed)	Modified AGI \$45-55,000 (single), \$90-110,000 (joint) (2006, as indexed)	2002 to 2010: \$50-65,000 (single), \$105-135,000 (joint), (2006, as indexed)  Beginning in 2011: modified AGI \$40-55,000 (single), \$60-75,000 (joint) (as indexed)	None	None	Modified AGI \$63,100-78,100 (single), \$94,700-124,70 (joint) (2006, as indexed)	None
<b>Annual dollar limit</b>	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.	\$1650 per student (2006, as indexed)	\$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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<b>WHOSE EXPENSES ARE ELIGIBLE?</b>								
	<b>Education Savings Account</b>	<b>Hope Scholarship 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

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<b>WHAT EXPENSES ARE ALLOWABLE?</b>								
	<b>Education Savings Account</b>	<b>Hope Scholarship 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	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	No	No	Yes, if half-time

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<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

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<b>REQUIREMENTS FOR STUDENT AND INSTITUTION</b>								
	<b>Education Savings Account</b>	<b>Hope Scholarship 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	Yes	Yes	Yes	No	Yes	Yes
<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.

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<b>TYPE OF EDUCATION PROGRAM COVERED</b>								
	<b>Education Savings Account</b>	<b>Hope Scholarship 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	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> Beginning in 2011: No	No	No	No	No	No	No	No

<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

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<b>ADDITIONAL RESTRICTIONS ON CLAIMING TAX BREAKS</b>								
	<b>Education Savings Account</b>	<b>Hope Scholarship 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	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
<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