

**Table 1. Summary of Tax Provisions Related to Higher Education**

	<b>Provision</b>	<b>Tax Benefit</b>	<b>Qualifying Expenses</b>	<b>Eligible Individuals</b>	<b>Maximum Annual Amount</b>	<b>Income Limits</b>	<b>Eligible Institution</b>
1	<b>Hope Scholarship Credit (§ 25A)</b>	Per student credit against tax	Tuition and required fees	Taxpayer, spouse or dependent in 1st or 2nd year of higher education enrolled at least half-time	\$1,800: 100% of the first \$1,200 and 50% of the next \$1,200 (indexed for inflation)	Phase-out begins at \$48,000 (\$96,000 if joint return) and is pro rata over \$10,000 (\$20,000 if joint return) (indexed for inflation)	Post-secondary school eligible for Federal student aid
2	<b>Lifetime Learning Credit (§ 25A)</b>	Per taxpayer credit against tax	Tuition and required fees	Taxpayer, spouse or dependent in post-secondary or professional education	\$2,000: 20% of the 1st \$10,000 total across all eligible students in household (not indexed for inflation)	Phase-out begins at \$48,000 (\$96,000 if joint return) and is pro rata over \$10,000 (\$20,000 if joint return) (indexed for inflation)	Post-secondary school eligible for Federal student aid
3	<b>Earned Income Tax Credit for dependent children aged 19 through 23 (§ 32)</b>	Refundable credit for families with dependent children aged 19 through 23	N/A	Dependent student enrolled full-time for at least 5 months of preceding year	\$2,917 for families with a single dependent child	Phase-in complete at \$8,580 Phase-out begins at \$15,740 (\$18,740 if joint return) Phase-out complete at \$33,995 (\$36,995 if joint return) (indexed for inflation)	Educational organization – any level
4	<b>Employer-reimbursed educational expenses paid through an accountable plan (§ 62(c))</b>	Exclusion from gross income	Tuition, required fees, non-academic fees, books, supplies, equipment, room and board, special needs, transportation and travel	Employee	None	None	Educational organization – any level

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5	<b>Traditional and Roth IRAs</b> (§ 72(t)(7))	Exception from 10% additional tax on early distributions	Tuition, required fees, non-academic fees, books, supplies, equipment, room and board, special needs	Taxpayer, spouse, child or grandchild (enrolled at least half-time for room and board)	None	None	Post-secondary school eligible for Federal student aid
6	<b>Cancellation of debt</b> (§ 108(f))	Exclusion from gross income for income from cancellation of certain student loans	N/A	Borrower who works for a certain period of time in certain professions for any of a broad class of employers	None	None	Educational organization – any level
7	<b>Scholarships and fellowships</b> (§ 117)	Exclusion from gross income	Tuition, required fees, non-academic fees, books, supplies, equipment	Degree candidate	None	None	Educational organization – any level
8	<b>Tuition reduction</b> (§ 117(d))	Exclusion from gross income	Tuition	Employee of college, spouse or dependent; graduate student employed in teaching or research	None	None	Educational organization – college or graduate school
9	<b>Employer provided education assistance program (EAP)</b> (§ 127)	Exclusion from gross income	Tuition, required fees, non-academic fees, books, supplies, equipment and special needs	Employee receiving higher education	\$5,250 (not indexed for inflation)	Limits on share of benefit that can go to the highly compensated; no individual income limits	Educational organization – any level

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10	<b>Savings bond interest (§ 135)</b>	Exclusion from gross income for U.S. savings bond interest	Tuition and required fees	Taxpayer, spouse, or dependent	None	Phase-out \$50 per \$1000, from \$67,100-\$82,100 (\$100,650-\$130,650 if joint return) (indexed for inflation)	Post-secondary school eligible for Federal student aid
11	<b>Dependent children aged 19 through 23 (§ 152(c)(3))</b>	Personal exemption deduction for dependent children aged 19 through 23	N/A	Student enrolled full-time for at least 5 months of preceding year	3500 (indexed)	Phase-out begins at \$159,950 (\$239,950 if joint return) (indexed for inflation)	Educational organization – any level
12	<b>Business expense deduction (§ 162)</b>	Itemized deduction	Most business or work related education expenses including transportation and childcare	Taxpayer or spouse	None	Overall limitation on itemized deductions may apply to AGI over \$159,950 (indexed for inflation)	Educational organization – any level
13	<b>Student loan interest (§ 221)</b>	Above-the-line deduction	Tuition, required fees, non-academic fees, books, supplies, equipment, room and board	Taxpayer paying interest on a qualified education loan incurred on behalf of self, spouse, or dependent	\$2,500	Phase-out over \$55,000-\$70,000 (\$115,000-\$145,000 if joint return) (indexed for inflation)	Post-secondary school eligible for Federal student aid
14	<b>Education expenses (§ 222) (effective through 2007)</b>	Above-the-line deduction	Tuition and required fees	Taxpayer, spouse or dependent receiving higher education	\$4,000 or \$2,000 subject to income limits	Deduction limited to \$4,000 if AGI is less than \$65,000 (\$130,000 if joint return); and to \$2,000 if AGI is less than \$80,000 (\$160,000 if joint return)	Post-secondary school eligible for Federal student aid

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15	<b>Qualified Tuition Plan (QTP) (§ 529)</b>	Exclusion from gross income for distributions from QTP accounts	Tuition, required fees, non-academic fees, books, supplies, equipment, room and board, and special needs	Any post-secondary student (enrolled at least half-time for room and board )	None	None	Post-secondary school eligible for Federal student aid
16	<b>Coverdell Education Savings Account (§ 530)</b>	Exclusion from gross income for distributions	Tuition, required fees, non-academic fees, books, supplies, equipment, room and board, and special needs	Any student, including primary and secondary (enrolled at least half-time for room and board)	Contributions limited to \$2,000 per year, per recipient	Phase-out of eligibility for contributions from \$95,000-\$110,000 (\$190,000-\$220,000 if joint return)	Post-secondary school eligible for Federal student aid, or secondary or primary school
17	<b>Gift tax exclusion (§ 2503(e))</b>	Exclusion for tuition paid directly to educational institution	Tuition	Any student	None	None	Educational organization – any level