

Federal Tax Benefits at a Glance



A Guide for Students and Parents – Tax Year 2009

You may be able to take advantage of a number of federal tax benefits, including credits, deductions and savings incentives, to offset your costs for college or career training. You will find details on all the tax benefits at the Internal Revenue Service Web sites listed at right. You can also check out EdFund's *Guide to Federal Tax Benefits for Higher Education* at www.edfund.org. We highly recommend you consult a professional tax advisor or attorney.

Tax Topic 513: *Educational Expenses*
www.irs.gov/taxtopics/tc513.html

Form 8863 and Instructions: *Education Credits*
www.irs.gov/pub/irs-pdf/f8863.pdf

Publication 970: *Tax Benefits for Higher Education*
www.irs.gov/publications/p970/index.html

	AMERICAN OPPORTUNITY TAX CREDIT (A.K.A. HOPE TAX CREDIT)	LIFETIME LEARNING TAX CREDIT	STUDENT LOAN INTEREST DEDUCTION	TUITION AND FEES DEDUCTION	COVERDELL EDUCATION SAVINGS ACCOUNT	529 COLLEGE SAVINGS PLANS (QUALIFIED TUITION PLANS)
WHAT IS IT?	The American Opportunity Tax Credit [AOTC] can be claimed for four postsecondary education years (instead of two, as with the Hope Credit). However, the AOTC is for amounts paid in 2009 and 2010 only.	A tax credit for tuition and qualified expenses for higher education or career training.	A tax deduction of up to \$2,500 of the interest you pay on your student loan each year, or the interest you pay on loans you received for your spouse's or child's education.	A tax deduction of up to \$4,000 for tuition and fees from your taxable income if you are not eligible for the Hope or Lifetime Learning tax credits.	A savings account that is set up to pay qualified education expenses for a designated beneficiary. The beneficiary must be under the age of 18 or a special needs beneficiary.	An account that is set up to let you save for or prepay your or another beneficiary's college costs. Each plan has its own annual and total contribution limits.
INCOME LIMITS	Taxpayers with a modified adjusted gross income of less than \$80,000 (less than \$160,000 if married and filing jointly). The credit is gradually reduced for those with incomes between \$80,000 – \$90,000 (\$160,000 – \$180,000 if married and filing jointly).	Taxpayers with a modified adjusted gross income of less than \$60,000 (less than \$120,000 if married and filing jointly). The credit is gradually reduced for those with incomes between \$50,000 – \$60,000 (\$100,000 – \$120,000 if married and filing jointly).	Taxpayers with a modified adjusted gross income of less than \$70,000 (less than \$140,000 if married and filing jointly). The credit is gradually reduced for those with incomes between \$60,000 – \$75,000 (\$120,000 – \$150,000 if married and filing jointly).	Taxpayers with a modified adjusted gross income of no more than \$65,000 (no more than \$130,000 if married and filing jointly) may deduct up to \$4,000. Those with incomes of more than \$65,000 (more than \$130,000 if married and filing jointly) but not more than \$80,000 (\$160,000 if married and filing jointly) can deduct up to \$2,000.	Taxpayers with a modified adjusted gross income of less than \$110,000 (less than \$220,000 if married and filing jointly) can contribute to a Coverdell account.	There are no income restrictions on individual contributors.
ENROLLMENT STATUS	You must be enrolled at least half time in an eligible program leading to a degree or certificate for at least one academic period beginning in 2009.	You can be enrolled in an eligible postsecondary institution, or in any course of instruction at an eligible school to improve or acquire job skills. You do not need to be pursuing a degree or other recognized education credential.	You must have been enrolled at least half time in a degree program during the time of the loan.	You must be enrolled in at least one course at an eligible postsecondary institution.	You can make tax-free withdrawals for qualified higher education expenses when the beneficiary is enrolled at an eligible postsecondary school.	The beneficiary must be taking at least one course at an eligible postsecondary institution to make tax-free withdrawals.
BENEFITS	You can subtract up to \$2,500 a year of your—or your spouse's or your child's—college costs (100 percent of the first \$2,000 you pay for tuition and qualified expenses, and 25 percent of the next \$2,000, for each student) from the federal tax you owe. Even families whose tax liability is less than the credit amount can receive a refund of up to 40 percent of the credit amount they're eligible to receive (up to \$1,000).*	You can subtract up to \$2,000 a year of your qualified education expenses, or those of your spouse or child (20 percent of qualified costs up to \$10,000) from the federal tax you owe.* No limit on the number of years the credit can be claimed. If you qualify for both the Hope and Lifetime Learning tax credits, you can claim only one.	The deduction will reduce the amount of your income that may be taxed by up to \$2,500. You can claim this deduction even if you do not itemize deductions on your federal tax return.	Depending on your income, you can deduct up to \$4,000 of your tuition and fees (if you are not claimed as a dependent by another taxpayer) or those you paid for your child's or spouse's education. You do not have to itemize to take advantage of this tax benefit but you must complete Form 8917 and file it with Form 1040 or 1040A.	Total contributions for the beneficiary in any year cannot be more than \$2,000. The amount of withdrawals you can make in a year cannot be more than actual qualified education expenses.	Contributions and earnings grow tax-free and you pay no federal taxes when you withdraw money for qualified education expenses.

*A higher Hope or Lifetime Learning tax credit may be claimed for students attending graduate and undergraduate institutions in a Midwestern disaster area using the 2008 rules. For more information, visit www.irs.gov and view Publication 4492-B.