



# Education Tax Benefits (2016)

Name	Type	Eligible Expenses	Annual Limits	Number of Years	Income Phase-outs
<b>American Opportunity Tax Credit (AOTC)</b>	Tax Credit	Tuition, fees, course materials  Can count expenses paid in first 3 months of next year as though paid during current year	\$2,500 per student (100% of \$2,000 + 25% of \$2,000) 40% refundable (\$1,000) Must be degree-seeking and enrolled at least half time, with no felony drug convictions	First 4 years	S: \$80,000 to \$90,000 MFJ: \$160,000 to \$180,000 MFS: Not eligible
<b>Lifetime Learning Tax Credit (LLTC)</b>	Tax Credit	Tuition, fees Can include expenses during first 3 months of next year	\$2,000 per tax return (20% of \$10,000) Does not need to be degree-seeking	Unlimited	S: \$56,000 to \$66,000 MFJ: \$112,000 to \$132,000 MFS: Not eligible
<b>Tuition and Fees Deduction (Torrice Deduction)</b>	Exclusion from Income	Tuition, fees, course materials (only if paid directly to the college or university)	\$4,000 (reduced to \$2,000 in phase-out) Does not need to be degree-seeking	Unlimited	S: \$65,000 to \$80,000 MFJ: \$130,000 to \$160,000 MFS: Not eligible
<b>Employer Tuition Assistance</b>	Exclusion from Income	Tuition, fees, course materials	\$5,250 per employee Does not need to be degree-seeking	Unlimited	None
<b>Business Deduction for Work-Related Education</b>	Exclusion from Income	Tuition, fees, course materials, transportation, travel	Qualifying work-related educational expenses may be greater than \$5,250 if a working condition fringe benefit.	Unlimited	None
<b>Tuition Gift Tax Exclusion</b>	Gift Tax Exclusion	Tuition	Tuition paid directly to a college is not subject to gift taxes, but may be treated as untaxed income on the FAFSA.	Unlimited	None
<b>Scholarships, Fellowships and Grants</b>	Exclusion from Income	Tuition, fees, course materials	Must be degree-seeking Scholarship may not be fee for services. Exempt from FICA even if not degree-seeking	Unlimited	None
<b>Student Loan Interest Deduction</b>	Exclusion from Income	Interest and fees paid on federal and private student loans	\$2,500 Must be obligated to repay debt Cannot be claimed as a dependent Must have been degree-seeking, >= half time	Unlimited	S: \$65,000 to \$80,000 MFJ: \$135,000 to \$165,000 MFS: Not eligible
<b>Student Loan Forgiveness, Cancellation and Repayment Assistance</b>	Exclusion from Income	Cancelled/forgiven student loan debt	Forgiveness must depend on working for a period of time in a particular occupation	Unlimited	None

Course materials include required textbooks, supplies and equipment. Secondary school expenses may include tutoring, room and board, uniforms, transportation.

SS = Single, MFJ = Married Filing Jointly, MFS = Married Filing Separately

The income phaseouts for the American Opportunity Tax Credit (AOTC), Tuition and Fees Deduction are not adjusted annually for inflation.

Name	Type	Eligible Expenses	Annual Limits	Number of Years	Income Phase-outs
<b>529 College Savings Plans</b>	Exclusion from Income	Tuition, fees, course materials, computer, related equipment and software, special needs services, room and board (if enrolled at least half time)	Earnings tax-deferred. Qualified distributions are tax-free (non-qualified at beneficiary's rate + 10% tax penalty, except upon beneficiary death/disability or receipt of a tax-free scholarship or certain other aid).	Unlimited	None
<b>Prepaid Tuition Plans</b>	Exclusion from Income	Tuition, fees, course materials, computer, related equipment and software, special needs services, room and board (if enrolled at least half time)	Earnings tax-deferred. Qualified distributions are tax-free (non-qualified at beneficiary's rate + 10% tax penalty, except upon beneficiary death/disability or receipt of a tax-free scholarship or certain other aid).	Unlimited	None
<b>Coverdell Education Savings Accounts</b>	Exclusion from Income	Tuition, fees, course materials, computer, related equipment and software, special needs services, room and board (if enrolled at least half time)  Secondary school expenses	\$2,000 contribution limit from all sources. Contributions end at age 18. Funds must be used by age 30 (except if special needs) Earnings tax-deferred. Qualified distributions are tax-free (non-qualified at beneficiary's rate + 10% tax penalty, except upon beneficiary death/disability or receipt of a tax-free scholarship or certain other aid).	Unlimited	S: \$95,000 to \$110,000 MFJ: \$190,000 to \$220,000 MFS: Not eligible
<b>Education Savings Bond Program</b>	Exclusion from Income	Tuition, fees, rollover into a qualified education benefit	Series EE bonds issued on/after 1/1/1990. All Series I bonds.	Unlimited	S: \$78,150 to \$93,150 MFJ: \$117,250 to \$147,250 MFS: Not eligible
<b>Kiddie Tax</b>	Tax Rate	All expenses. If age < 18/19 (24 for full-time students), extra income taxed at parent's rate.	Unearned income by a dependent child between 1 & 2 times standard deduction for dependent (\$1,050) taxed at the child's rate	Unlimited	None
<b>Early IRA Distributions for Higher Education</b>	Waives 10% Tax Penalty	Tuition, fees, course materials, special needs services, room & board (if enrolled >= half time)	Early distributions (age < 59 1/2) from an IRA for qualified education expenses.	Unlimited	None
<b>Roth IRA</b>	Exclusion from Income	All expenses	Return of contributions excluded from income, but may count as untaxed income on FAFSA. Income phase-outs on contributions.	Unlimited	S: \$118,000 to \$133,000 MFJ: \$186,000 to \$196,000 MFS: \$0 to \$10,000
<b>Loans from Retirement Plans</b>	Loan	All expenses	Up to half of vested account balance or \$50,000, whichever is less, and at least \$10,000. 401(k), 403(b), but not IRAs	5-year repayment term	None
<b>Hardship Distributions from 401(k) and 403(b) Retirement Plans</b>	Distribution	Tuition, fees, room and board	Distribution of elective contributions from 401(k) or 403(b) plans to pay for qualified expenses. May be subject to 10% tax penalty	Unlimited	None

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Qualified education benefits include 529 college savings plans, prepaid tuition plans and Coverdell education savings accounts.

The income phaseouts for the Coverdell education savings accounts are not adjusted annually for inflation.