

Federal Tax Benefits at a Glance



A Guide for Students and Parents – Tax Year 2008

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

	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?	A tax credit for the first two years of postsecondary education. You can subtract up to \$1,800 a year in tuition and qualified college costs from the taxes you owe when you file your federal tax return.*	A tax credit for tuition and qualified expenses for higher education or career training. You can subtract up to \$2,000 a year in tuition and qualified college costs from the taxes you owe when you file your federal tax return.*	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. 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.	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. 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.	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. Contributions grow tax-free and you pay no federal taxes on the money you withdraw for qualified education expenses. Each plan has its own annual and total contribution limits.
INCOME LIMITS	Taxpayers with a modified adjusted gross income of less than \$58,000 (less than \$116,000 if married and filing jointly). The credit is gradually reduced for those with incomes between \$48,000 – \$58,000 (\$96,000 – \$116,000 if married and filing jointly).	Taxpayers with a modified adjusted gross income of less than \$58,000 (less than \$116,000 if married and filing jointly). The credit is gradually reduced for those with incomes between \$48,000 – \$58,000 (\$96,000 – \$116,000 if married and filing jointly).	Taxpayers with a modified adjusted gross income less than \$70,000 (less than \$145,000 if married and filing jointly). The credit is gradually reduced for those with incomes between \$55,000 – \$70,000 (\$115,000 – \$145,000 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.	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	Up to \$1,800 a year of your—or your spouse's or your child's—college costs (100 percent of the first \$1,200 you pay for tuition and qualified expenses, and 50 percent of the next \$1,200, for each student).*	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). 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 maximum deduction is \$2,500.	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.	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.

*Hope and Lifetime Learning tax credits are temporarily doubled for students attending graduate and undergraduate institutions in a Midwest disaster area. For these students, the maximum Hope credit is \$3,600 per student and the maximum Lifetime Learning credit is \$4,000. For more information, visit the IRS Web sites at the top of this page and look for information on tax year 2008.