

Possible federal tax benefits at a glance

A GUIDE FOR STUDENTS AND PARENTS (TAX YEAR 2014)

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. This content is presented for informational and general reference purposes only. For more information on these and other tax benefits, refer to IRS Publication 970 (2014) Tax Benefits for Education, available at the Internal Revenue Service’s website—www.irs.gov/pub/irs-pdf/p970.pdf—and consult a professional tax advisor.

	AMERICAN OPPORTUNITY CREDIT	LIFETIME LEARNING CREDIT	STUDENT LOAN INTEREST DEDUCTION	TUITION AND FEES DEDUCTION	COVERDELL EDUCATION SAVINGS ACCOUNT	QUALIFIED TUITION PROGRAMS (QTPS)
WHAT IS IT?	A tax credit of up to \$2,500 per student for qualified education expenses for the first four years of college. This credit can be claimed on your tax returns for up to four years (per student) (the four years includes any years previously claimed as Hope Credits as well.)	A tax credit of up to \$2,000 for qualified education expenses. There is no limit to the number of years this credit can be claimed, but the amount is limited to up to \$2,000 per return—not per student.	A tax deduction of up to \$2,500 per return for interest paid on student loans used to pay for qualified education expenses. May be claimed each year.	A tax deduction of up to \$4,000 for paid tuition and fees. A tax deduction is used to reduce the amount of your taxable income and may be claimed each year.	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 at the time contributions are made.	Also called 529 plans, an account that allows you to save for or prepay qualified education expenses for you or a designated beneficiary. Each plan has its own annual and total contribution limits.
INCOME LIMITS	Modified adjusted gross income (MAGI) of less than \$90,000 (less than \$180,000 if married and filing jointly). The credit is reduced for those with MAGI above \$80,000 and below \$90,000 (or above \$160,000 and below \$180,000 if married and filing jointly).	Modified adjusted gross income (MAGI) of less than \$64,000 (less than \$128,000 if married and filing jointly). The credit is gradually reduced for those with MAGI between \$54,000 and \$64,000 or \$108,000 and \$128,000 if married and filing jointly.	Modified adjusted gross income of less than \$80,000 (less than \$160,000 if married and filing jointly). The credit is gradually phased out for those with MAGI between \$65,000 and \$80,000 (or between \$130,000 and \$160,000 if married filing jointly).	Modified adjusted gross income (MAGI) of no more than \$65,000 (no more than \$130,000 if married and filing jointly). Taxpayers with a MAGI of no more than \$80,000 (no more than \$160,000 if married and filing jointly) can claim a deduction of 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 ESA. There is a gradual reduction of the deduction for taxpayers with an income between \$95,000 and \$110,000 (or between \$190,000 and \$220,000 if married filing jointly).	There are no income restrictions on individual contributors.
ENROLLMENT REQUIREMENTS	At least half-time enrollment for at least one academic period at an eligible educational institution in a program leading to an undergraduate degree, certificate or other recognized credential. Student cannot have been convicted of a felony for possession or distributing a controlled substance.	Enrollment in at least one course at an eligible educational institution, either as part of a postsecondary degree or to improve or acquire job skills.	At least half-time enrollment at an eligible educational institution at the time the loan was incurred. Program must lead to a degree, certificate or another recognized credential.	Enrollment in at least one course at an eligible educational institution.	You can make tax-free withdrawals for qualified education expenses when the beneficiary is enrolled at an eligible educational institution.	You can make tax-free withdrawals for qualified education expenses when the beneficiary is enrolled at an eligible educational institution.
DETAILS	You can subtract up to \$2,500 for each eligible student (you, your spouse and/or dependents) from the amount of your federal tax. If your tax liability is less than the credit you are eligible to receive, you may receive a refund of up to 40 percent of the credit amount. You do not have to itemize deductions on your tax return to claim this credit. You cannot claim this credit in the same year you claim a Lifetime Learning Credit or a Tuition and Fees Deduction for the same student.	You can subtract up to \$2,000 (per return) from the amount of your federal tax. The credit can be claimed for you, your spouse and/or dependents. If your tax liability is less than the credit you are eligible to receive, the excess amount is not refunded. You do not have to itemize deductions on your federal tax return to claim this credit. You cannot claim this credit in the same year you claim a Lifetime Learning Credit or a Tuition and Fees Deduction for the same student.	You can deduct up to \$2,500 (per return) from your taxable income for interest paid on loans taken for you, your spouse and/or a person who was your dependent at the time you took the loan(s). You do not have to itemize deductions on your federal tax return to claim this deduction.	You can deduct up to \$4,000 from your taxable income for tuition and fees paid for you, your spouse and/or dependents. You do not have to itemize deductions on your return to claim this deduction. You cannot claim this deduction in the same year you or anyone else claims an American Opportunity Credit or a Lifetime Learning Credit for the same student.	Contributions are not deductible, but earnings grow tax-free. You can make tax-free withdrawals to pay for qualified education expenses. Total contributions cannot exceed \$2,000 per year for the same beneficiary, regardless of how many accounts are established for the beneficiary. You can contribute to both a Coverdell ESA and a QTP in the same year for the same beneficiary.	Contributions are not deductible, but earnings grow tax-free. You can make tax-free withdrawals to pay for qualified education expenses. Contributions cannot exceed the amount necessary to pay for the beneficiary’s qualified education expenses. There may be gift tax implications to the beneficiary if an annual contribution is more than \$13,000. You can contribute to both a Coverdell ESA and a QTP in the same year for the same beneficiary.

The contents are not intended to serve as legal or other advice. This information is not intended to be a full, exhaustive or current explanation of the law, benefits or process, nor should it be used to replace the advice of a tax professional.