

Appendix B — Highlights of Tax Benefits for Higher Education

This chart highlights some differences among the benefits discussed in this publication. See the text for definitions and details. Do not rely on this chart alone.

Caution: *You generally cannot claim more than one benefit for the same education expense.*

	Hope credit	Lifetime learning credit	Education IRA ¹	Traditional and Roth IRAs ¹	Student Loan Interest	State Tuition Programs	Education Savings Bond Program ¹	Employer's Educational Assistance Program ¹
What is your benefit?	Credits can reduce the amount of tax you must pay		Earnings are not taxed	No 10% additional tax on early withdrawal	You can deduct the interest	Earnings are not taxed	Interest is not taxed	Employer benefits are not taxed
What is the annual limit?	Up to \$1,500 per student	Up to \$1,000 per family	\$500 contribution per beneficiary	Amount of qualifying expenses	\$2,000	None	Amount of qualifying expenses	\$5,250
What expenses qualify besides tuition and required enrollment fees?	None		Books Supplies Equipment Room & board if at least a half-time student Payments to state tuition program	Books Supplies Equipment Room & board if at least a half-time student	Books Supplies Equipment Room & board Transportation Other necessary expenses	Books Supplies Equipment Room & board if at least a half-time student	Payments to education IRAs Payments to state tuition programs	Books Supplies Equipment
What education qualifies?	1st 2 years of undergraduate	All undergraduate and graduate						Undergraduate
What are some of the other conditions that apply?	Can be claimed only for 2 years Must be enrolled at least half-time in a degree program		Cannot contribute to education IRA and state tuition program in the same year Must withdraw assets at age 30		Applies to 1st 60 months of required interest Must have been at least half-time student in a degree program	Beneficiary must pay tax on withdrawn earnings	Applies only to qualified series EE bonds issued after 1989 or series I bonds	Expires for courses beginning after December 31, 2001
In what income range do benefits phase out?	\$40,000 – \$50,000; \$80,000 – \$100,000 for joint returns		\$95,000 – \$110,000; \$150,000 – \$160,000 for joint returns	There is no phaseout	\$40,000 – \$55,000; \$60,000 – \$75,000 for joint returns	There is no phaseout	\$54,100 – \$69,100; \$81,100 – \$111,100 for joint returns	There is no phaseout

¹ Any nontaxable withdrawal is limited to the amount that does not exceed qualifying educational expenses.