

Education Tax Incentives Comparison Chart (2010)

	American Opportunity Credit	Lifetime Learning Credit	IRA Withdrawals	Savings Bond Interest Exclusion	Student Loan Interest Deduction	Tuition and Fees Deduction <small>⚠️ Caution: Expired⁸</small>	Qualified Tuition Program (QTP)	Education Savings Account (ESA)
IRC §	25A	25A	72(t)	135	221	222	529	530
QF Page	12-9	12-9	14-3	13-3	13-4	13-4	13-6	13-7
Tax Benefit	Tax credit that is 40% refundable. ¹	Nonrefundable tax credit.	10% early withdrawal penalty is waived.	Interest is excludable from income.	Above-the-line deduction.	Above-the-line deduction.	Earnings not taxed (savings plan) or tax-free education credits (prepaid plan).	Earnings not taxed.
2010 Annual Limits	Credit up to \$2,500 per student (100% of first \$2,000 of expenses and 25% of next \$2,000).	Credit up to \$2,000 per return (20% of up to \$10,000 of expenses).	Amount of qualifying expenses.	Amount of qualifying expenses.	Deduction of up to \$2,500 of interest paid on education loan.	Deduction of up to \$4,000 of qualifying expenses paid.	Nonrefundable contributions limited to amount necessary to cover qualified expenses.	\$2,000 nondeductible contribution per child under age 18 and any age special-needs child.
Qualified Education Expenses (QEE)³	Tuition and fees; books, supplies and equipment. ²	Tuition and fees; books, supplies and equipment. ⁵	Tuition and fees; books, supplies and equipment. ⁶ room and board if at least half-time attendance; computer and internet service.	Tuition and fees; book, supplies and equipment. ⁵ contributions to QTPs and ESAs.	Tuition and fees; books, supplies and equipment; room and board, transportation, other necessary expenses.	Tuition and fees; book, supplies and equipment. ⁵	Tuition and fees; books, supplies and equipment. ⁶ room and board if at least half-time attendance; payments to QTP; computer and internet service.	Tuition and fees; books, supplies and equipment. ⁶ room and board if at least half-time attendance; payments to QTP; computer and internet service.
QEE Must Be For	Taxpayer, spouse or dependent.	Taxpayer, spouse or dependent.	Taxpayer, spouse, child or grandchild.	Taxpayer, spouse or dependent.	Taxpayer, spouse or dependent.	Taxpayer, spouse or dependent.	Account beneficiary.	Account beneficiary.
Qualifying Education	First four years of undergraduate.	Undergraduate and graduate.	Undergraduate and graduate.	Undergraduate and graduate.	Undergraduate and graduate.	Undergraduate and graduate.	Undergraduate and graduate.	K-12, undergraduate and graduate.
Other Rules and Requirements	Must be enrolled at least half-time in a degree program; parents can shift credit to student by not claiming student as a dependent.	Available for unlimited number of years for both degree and non-degree programs; parents can shift credit to student by not claiming student as a dependent.	Penalty waived on distributions up to the amount of qualified expenses for the year.	Applies only to qualified Series EE bonds issued after 1989 or Series I bonds; bond owner must be at least 24 years old when bond issued.	Must be enrolled at least half-time in a degree program; loan must be incurred solely to pay qualified education expenses.	Not allowed if education expenses are deducted under another provision or education credit is claimed.	Account owner can change beneficiary or reclaim funds; can elect to spread gift over five years; some states allow deduction to residents; beneficiary can be anyone.	Contributions must be made by the original return due date; may also contribute to QTP; mandatory distributions at age 30; beneficiary can be anyone.
2010 Modified AGI Phase-Out								
MFJ.....	\$ 160,000 – 180,000	\$ 100,000 – 120,000	N/A	\$ 105,100 – 135,100	\$ 120,000 – 150,000	Not allowed if MAGI exceeds. ⁴	N/A	\$ 190,000 – 220,000
Single, HOH, QW ⁷ ...	80,000 – 90,000	50,000 – 60,000		70,100 – 85,100	60,000 – 75,000	\$ 160,000		95,000 – 110,000
MFS.....	Do Not Qualify	Do Not Qualify		Do Not Qualify	Do Not Qualify	Do Not Qualify		95,000 – 110,000

¹ Not refundable for certain children under age 24. See [American Opportunity Credit on Page 12-9](#).

² Includes books, supplies, and equipment needed for a course of study whether or not the materials are purchased from the educational institution as a condition of enrollment.

³ Qualifying educational expenses must be reduced by any tax-free scholarships and grants. The same educational expenses cannot be used for figuring more than one benefit.

⁴ No AGI phase-out range. Up to \$4,000 is deductible if MAGI does not exceed \$65,000 (\$130,000 for MFJ). Up to \$2,000 is deductible if MAGI does not exceed \$80,000 (\$160,000 for MFJ).

⁵ Must be paid to the eligible educational institution as a condition of the student's enrollment or attendance at the institution.

⁶ Must be required for enrollment or attendance at an eligible educational institution.

⁷ For savings bond interest exclusion, QW is subject to the same phase-out range as MFJ.

⁸ Expired after 2009; however, at publication time, Congress was considering legislation that would extend the deduction to 2010. See [Tax Extender's Legislation on Page 17-1](#).