

# HIGHLIGHTS FOR TAX BENEFITS FOR HIGHER EDUCATION

## Appendix B. Highlights of Education Tax Benefits for Tax Year 2023

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.

Any nontaxable distribution is limited to the amount that does not exceed qualified education expenses. Table from *Department of the Treasury Internal Revenue Service, Publication 970, Tax Benefits for Education*.

Reference: <https://www.irs.gov/pub/irs-pdf/p970.pdf>

	What is your benefit?	What is the annual limit?	What expenses qualify besides tuition and required enrollment fees?	What education qualifies?	What are some of the other conditions that apply?	In what income range do benefits phase out?
Scholarships, Fellowship Grants, Grants, and Tuition Reductions	Amounts received may not be taxable	None	Course-related expenses such as fees, books, supplies, and equipment	Undergraduate & graduate K-12	Must be in degree or vocational program. Payment of tuition and required fees must be allowed under the grant.	No phaseout
American Opportunity Credit	Credits can reduce the amount of tax you must pay. 40% of the credit may be refundable (limited to \$1,000 per student)	\$2,500 credit per student	Course-related books, supplies, and equipment	Undergraduate & graduate	Can be claimed for only 4 tax years. Must be enrolled at least half-time in degree program. No felony drug conviction(s). Must not have completed first 4 years of postsecondary education before end of preceding tax year.	\$80,000-\$90,000 \$160,000-\$180,000 for joint returns
Lifetime Learning Credit	Credits can reduce amount of tax you must pay	\$2,000 credit per tax return	Amounts paid for required books, etc., that must be paid to the educational institution are required fees	Undergraduate & graduate Courses to acquire or improve job skills	No other conditions	\$80,000-\$90,000 \$160,000-\$180,000 for joint returns
Student Loan Interest Deduction	Can deduct interest paid	\$2,500 deduction	Books Supplies Equipment Room & board Transportation Other necessary expenses	Undergraduate & graduate	Must have been at least half-time student in degree program	\$70,000-\$85,000 \$145,000-\$175,000 for joint returns

<b>Coverdell ESA<sup>1</sup></b>	Earnings not taxed	\$2,000 contribution per beneficiary	Books Supplies Equipment Computer equipment, computer software, or Internet access and related services Expenses for special needs services Payments to QTP Higher education: Room & board if at least half-time student Elem/sec (K-12 education): See chapter 6	Undergraduate and graduate K-12	Assets must be distributed at age 30 unless special needs beneficiary	\$95,000-\$110,000 \$190,000-\$220,000 for joint returns
<b>Qualified Tuition Program (QTP)<sup>1</sup></b>	Earnings not taxed	None	Higher education: Books Supplies Equipment Computer equipment, computer software, or Internet access and related services Expenses for special needs services Room & board if at least half-time student Elem/sec (K-12) education: See chapter 7	Undergraduate & graduate K-12 for no more than \$10,000 of tuition	No other conditions	No phaseout
<b>Education Exception to Additional Tax on Early IRA Distributions<sup>1</sup></b>	No 10% additional tax on early distribution	Amount of qualified education expenses	Books Supplies Equipment Room & board if at least half-time student Expenses for special needs services	Undergraduate & graduate	No other conditions	No phaseout
<b>Education Savings Bond Program<sup>1</sup></b>	Interest not taxed	Amount of qualified education expenses	Payments to Coverdell ESA Payments to QTP	Undergraduate & graduate	Applies only to qualified series EE bonds issued after 1989 or series I bonds	\$85,800-\$100,800 \$128,650-\$158,650 for joint returns
<b>Employer-Provided Educational Assistance<sup>1</sup></b>	Employer benefits not taxed	\$5,250 exclusion	Books Supplies Equipment	Undergraduate & graduate	No other conditions	No phaseout
<b>Business Deduction for Work-Related Education</b>	Individuals who are self-employed, Armed Forces reservists, qualified performing artists, fee-based officials, or disabled can deduct certain expenses	Amount of qualifying work-related education expenses	Transportation Travel Other necessary expenses	Required by employer or law to keep present job, salary, status Maintain or improve job skills	Can't be to meet minimum educational requirements of present trade/business Can't qualify you for new trade/business	No phaseout

<sup>1</sup> Any nontaxable distribution is limited to the amount that doesn't exceed qualified education expenses.