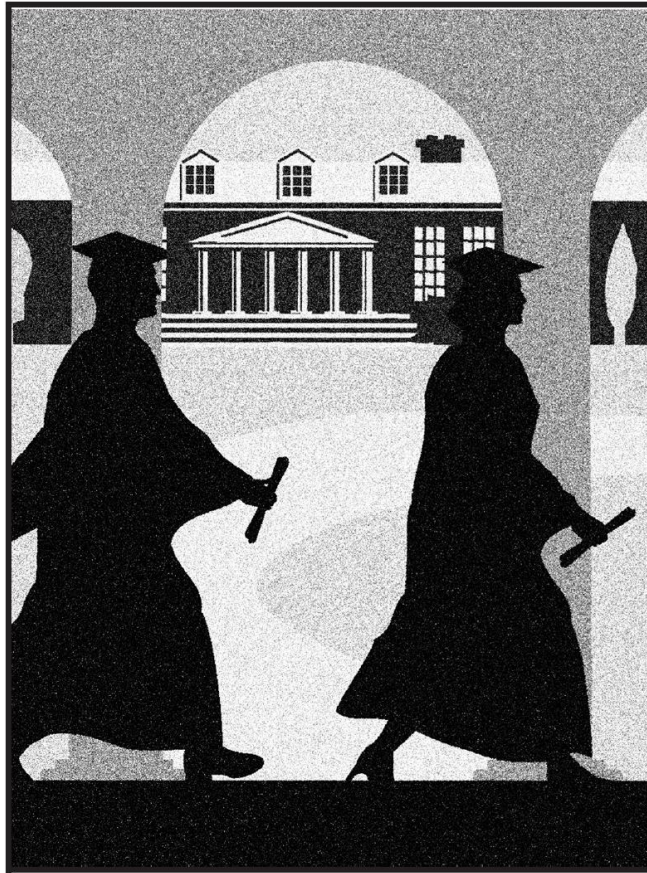


# Publication 970

## Tax Benefits for Education

For use in preparing **2023** Returns

Volume 5 of 5



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# How To Treat Reimbursements

How you treat reimbursements depends on the arrangement you have with your employer.

There are two basic types of reimbursement arrangements—accountable plans and nonaccountable plans. You can tell the type of plan you are reimbursed under by the way the reimbursement is reported on your Form W-2.

**Note.** The following rules about reimbursement arrangements also apply to expense allowances received from your employer.

## Accountable Plans

To be an accountable plan, your employer's reimbursement arrangement must require you to meet all three of the following rules.

- Your expenses must have a business connection. This means your expenses

must be allowed under the rules for qualifying work-related education explained earlier.

- You must adequately account to your employer for your expenses within a reasonable period of time.
- You must return any reimbursement or allowance in excess of the expenses accounted for within a reasonable period of time.

If you are reimbursed under an accountable plan, your employer shouldn't include any reimbursement of income on your Form W-2, box 1.



*If your employer included reimbursements on your Form W-2, box 1, and you meet all three rules for accountable plans, ask your employer for a corrected Form W-2.*

**Accountable plan rules not met.** Even though you are reimbursed under an accountable plan, some of your expenses may not meet all three rules for accountable plans. Those expenses that fail to meet the three rules are treated as having been reimbursed under a [\*Nonaccountable Plan\*](#) (discussed later).

**Expenses equal reimbursement.** Under an accountable plan, if your expenses equal your reimbursement, you don't complete Form 2106. Because your expenses and reimbursements are equal, you don't have unreimbursed work-related education expenses.

**Excess expenses.** If your expenses are more than your reimbursement, you generally cannot deduct your excess expenses. See [\*Deducting Business Expenses\*](#), later.

***Allocating your reimbursements for meals.*** Because your excess meal expenses

are subject to the 50% limit, you must figure them separately from your other expenses. If your employer paid you a single amount to cover both meals and other expenses, you must allocate the reimbursement so that you can figure your excess meal expenses separately. Make the allocation as follows.

1. Divide your meal expenses by your total expenses.
2. Multiply your total reimbursement by the result from (1). This is the allocated reimbursement for your meal expenses.
3. Subtract the amount figured in (2) from your total reimbursement. The difference is the allocated reimbursement for your other expenses of qualifying work-related education.

**Example.** You are a qualified performing artist and one of your employers paid you an

expense allowance of \$2,000 under an accountable plan. The allowance was to cover all of your expenses of traveling away from home to take a 2week training course for work. There was no indication of how much of the reimbursement was for each type of expense. Your actual expenses equal \$2,500 (\$425 for meals + \$700 lodging + \$150 transportation expenses + \$1,225 for books and tuition).

Using the steps listed above, allocate the reimbursement between the \$425 meal expenses and the \$2,075 other expenses.

1. \$425 meal expenses

$$\frac{\$2,500 \text{ total expenses}}{\$2,500 \text{ total expenses}} = 0.17$$

2. \$2,000 (reimbursement)  $\times$  0.17

= \$340 (allocated reimbursement for meal expenses)

3. \$2,000 (reimbursement) – \$340 (meals)  
= \$1,660 (allocated reimbursement for other qualifying  
work-related education expenses)

Your excess meal expenses are \$85 (\$425 – \$340) and your excess other expenses are \$415 (\$2,075 – \$1,660). After you apply the 50% limit to your meals, you can deduct your excess work-related education expenses of \$458  $((\$85 \times 50\%) + \$415)$ . See [Deducting Business Expenses](#), later.

## **Nonaccountable Plans**

Your employer will combine the amount of any reimbursement or other expense allowance paid to you under a nonaccountable plan with your wages, salary, or other pay and report the total on your Form W-2, box 1.

You generally cannot deduct your expenses regardless of whether they are more than, less than, or equal to your reimbursement. See [Deducting Business Expenses](#), later.



## **Reimbursements for nondeductible**

**expenses.** Reimbursements you received for nondeductible expenses are treated as paid under a nonaccountable plan. You must include them in your income. For example, you must include in your income reimbursements your employer gave you for expenses of education that:

- You need to meet the minimum educational requirements for your job, or
- Is part of a program of study that can qualify you for a new trade or business.

For more information on accountable and nonaccountable plans, see chapter 6 of Pub. 463.

## **Deducting Business Expenses**

Self-employed persons and employees report their business expenses differently.

The following information explains what forms you must use to deduct the cost of your

qualifying work-related education as a business expense.

## **Self-Employed Persons**

If you are self-employed, you must report the cost of your qualifying work-related education on the appropriate form used to report your business income and expenses (generally, Schedule C (Form 1040), or Schedule F (Form 1040)). If your education expenses include expenses for a car or truck, travel, or meals, report those expenses the same way you report other business expenses for those items. See the instructions for the form you file for information on how to complete it.

## **Armed Forces Reservists, Performing Artists, and Fee Basis Officials**

If you are an Armed Forces reservist, a qualified performing artist, or a state (or local) government official who is paid in whole or in part on a fee basis, you can deduct the

cost of your qualifying work-related education as an adjustment to gross income.

Include the cost of your qualifying work-related education with any other employee business expenses on Schedule 1 (Form 1040), line 12. You must complete Form 2106 to figure your deduction.

For more information on qualified performing artists, see chapter 6 of Pub. 463.

## **Impairment-Related Work Expenses**

If you are an individual with a disability and have impairment-related work expenses that are necessary for you to be able to get qualifying work-related education, you can deduct these expenses on Schedule A (Form 1040), line 16, or Schedule A (Form 1040NR), line 7. To deduct these expenses, you must complete Form 2106.

For more information on impairment-related work expenses, see chapter 6 of Pub. 463.

# Recordkeeping



You must keep records as proof of any deduction claimed on your tax return. Generally, you should keep your records for 3 years from the date of filing the tax return and claiming the deduction.

If you are an employee who is reimbursed for expenses and you give your records and documentation to your employer, you don't have to keep duplicate copies of this information. However, you should keep your records for a 3year period if:

- You claim deductions for expenses that are more than your reimbursement,
- Your employer doesn't use adequate accounting procedures to verify expense accounts,
- You are related to your employer, or

- Your expenses are reimbursed under a nonaccountable plan.

**Examples of records to keep.** If any of the above cases apply to you, you must be able to prove that your expenses are deductible. You should keep adequate records or have sufficient evidence that will support your expenses. Estimates or approximations don't qualify as proof of an expense. Some examples of what can be used to help prove your expenses are the following.

1. Documents, such as transcripts, course descriptions, catalogs, etc., showing periods of enrollment in educational institutions, principal subjects studied, and descriptions of educational activity.
2. Canceled checks and receipts to verify amounts you spent for:
  - a. Tuition and books,

- b. Meals and lodging while away from home overnight for educational purposes,
  - c. Travel and transportation, and
  - d. Other education expenses.
- 3. Statements from your employer explaining whether the education was necessary for you to keep your job, salary, or status; how the education helped maintain or improve skills needed in your job; how much reimbursement you received; and, if you are a teacher, the type of certificate and subjects taught.
- 4. Complete information about any scholarship or fellowship grants, including amounts you received during the year.

# 12.

## How To Get Tax Help

If you have questions about a tax issue; need help preparing your tax return; or want to download free publications, forms, or instructions, go to [IRS.gov](https://www.irs.gov) to find resources that can help you right away.

**Preparing and filing your tax return.** After receiving all your wage and earnings statements (Forms W-2, W-2G, 1099-R, 1099-MISC, 1099-NEC, etc.); unemployment compensation statements (by mail or in a digital format) or other government payment statements (Form 1099-G); and interest, dividend, and retirement statements from banks and investment firms (Forms 1099), you have several options to choose from to prepare and file your tax return. You can prepare the tax return yourself, see if you qualify for free tax preparation, or hire a tax professional to prepare your return.

**Free options for tax preparation.** Your options for preparing and filing your return online or in your local community, if you qualify, include the following.

- **Free File.** This program lets you prepare and file your federal individual income tax return for free using software or Free File Fillable Forms. However, state tax preparation may not be available through Free File. Go to [IRS.gov/FreeFile](https://www.irs.gov/freefile) to see if you qualify for free online federal tax preparation, efilg, and direct deposit or payment options.
- **VITA.** The Volunteer Income Tax Assistance (VITA) program offers free tax help to people with low-to-moderate incomes, persons with disabilities, and limited-English-speaking taxpayers who need help preparing their own tax returns. Go to [IRS.gov/ VITA](https://www.irs.gov/vita), download the free IRS2Go app, or call 8009069887 for



information on free tax return preparation.

- **TCE.** The Tax Counseling for the Elderly (TCE) program offers free tax help for all taxpayers, particularly those who are 60 years of age and older. TCE volunteers specialize in answering questions about pensions and retirement-related issues unique to seniors. Go to [IRS.gov/TCE](https://www.irs.gov/TCE) or download the free IRS2Go app for information on free tax return preparation.
- **MilTax.** Members of the U.S. Armed Forces and qualified veterans may use MilTax, a free tax service offered by the Department of Defense through Military OneSource. For more information, go to [MilitaryOneSource](https://www.militaryonesource.com) ([MilitaryOneSource.mil/MilTax](https://www.militaryonesource.com/mil/tax)).

Also, the IRS offers Free Fillable Forms, which can be completed online and then e-filed regardless of income.

**Using online tools to help prepare your return.** Go to [IRS.gov/Tools](https://www.irs.gov/Tools) for the following.

- The [Earned Income Tax Credit Assistant](https://www.irs.gov/EITCAssistant) ([IRS.gov/ EITCAssistant](https://www.irs.gov/EITCAssistant)) determines if you're eligible for the earned income credit (EIC).
- The [Online EIN Application](https://www.irs.gov/EIN) ([IRS.gov/EIN](https://www.irs.gov/EIN)) helps you get an employer identification number (EIN) at no cost.
- The [Tax Withholding Estimator](https://www.irs.gov/W4App) ([IRS.gov/W4App](https://www.irs.gov/W4App)) makes it easier for you to estimate the federal income tax you want your employer to withhold from your paycheck. This is tax withholding. See how your withholding affects your refund, take-home pay, or tax due.
- The [FirstTime Homebuyer Credit Account Lookup](https://www.irs.gov/HomeBuyer) ([IRS.gov/HomeBuyer](https://www.irs.gov/HomeBuyer)) tool provides information on your repayments and account balance.

- The [\*Sales Tax Deduction Calculator\*](#) ([\*IRS.gov/ SalesTax\*](#)) figures the amount you can claim if you itemize deductions on Schedule A (Form 1040).



**Getting answers to your tax questions.** On IRS.gov, you can get up-to-date information on current events and changes in tax law.

- [\*IRS.gov/Help\*](#): A variety of tools to help you get answers to some of the most common tax questions.
- [\*IRS.gov/ITA\*](#): The Interactive Tax Assistant, a tool that will ask you questions and, based on your input, provide answers on a number of tax topics.
- [\*IRS.gov/Forms\*](#): Find forms, instructions, and publications. You will find details on the most recent tax changes and interactive links to help you find answers to your questions.

- You may also be able to access tax information in your e-filing software.

## **Need someone to prepare your tax**

**return?** There are various types of tax return preparers, including enrolled agents, certified public accountants (CPAs), accountants, and many others who don't have professional credentials. If you choose to have someone prepare your tax return, choose that preparer wisely. A paid tax preparer is:

- Primarily responsible for the overall substantive accuracy of your return,
- Required to sign the return, and
- Required to include their preparer tax identification number (PTIN).



*Although the tax preparer always signs the return, you're ultimately responsible for providing all the information required for the preparer to accurately prepare your return and for the accuracy of every item reported on the*

*return. Anyone paid to prepare tax returns for others should have a thorough understanding of tax matters. For more information on how to choose a tax preparer, go to [Tips for Choosing a Tax Preparer](#) on IRS.gov.*

**Employers can register to use Business Services Online.** The Social Security Administration (SSA) offers online service at [SSA.gov/employer](#) for fast, free, and secure W2 filing options to CPAs, accountants, enrolled agents, and individuals who process Form W2, Wage and Tax Statement, and Form W2c, Corrected Wage and Tax Statement.

**IRS social media.** Go to [IRS.gov/SocialMedia](#) to see the various social media tools the IRS uses to share the latest information on tax changes, scam alerts, initiatives, products, and services. At the IRS, privacy and security are our highest priority. We use these tools to share public information with you. **Don't** post your social

security number (SSN) or other confidential information on social media sites. Always protect your identity when using any social networking site.

The following IRS YouTube channels provide short, informative videos on various tax-related topics in English, Spanish, and ASL.

- [Youtube.com/irsvideos.](https://www.youtube.com/irsvideos)
- [Youtube.com/irsvideomultilingua.](https://www.youtube.com/irsvideomultilingua)
- [Youtube.com/irsvideosASL.](https://www.youtube.com/irsvideosASL)

**Watching IRS videos.** The IRS Video portal ([IRSVideos.gov](https://www.irs.gov/irs/videos)) contains video and audio presentations for individuals, small businesses, and tax professionals.

**Online tax information in other languages.** You can find information on [IRS.gov/MyLanguage](https://www.irs.gov/MyLanguage) if English isn't your native language.

**Free Over-the-Phone Interpreter (OPI) Service.** The IRS is committed to serving

taxpayers with limited-English proficiency (LEP) by offering OPI services. The OPI Service is a federally funded program and is available at Taxpayer Assistance Centers (TACs), most IRS offices, and every VITA/TCE tax return site. The OPI Service is accessible in more than 350 languages.

**Accessibility Helpline available for taxpayers with disabilities.** Taxpayers who need information about accessibility services can call 833-690-0598. The Accessibility Helpline can answer questions related to current and future accessibility products and services available in alternative media formats (for example, braille, large print, audio, etc.). The Accessibility Helpline does not have access to your IRS account. For help with tax law, refunds, or account-related issues, go to [IRS.gov/LetUsHelp](https://www.irs.gov/LetUsHelp).

**Note.** Form 9000, Alternative Media Preference, or Form 9000(SP) allows you to

elect to receive certain types of written correspondence in the following formats.

- Standard Print.
- Large Print.
- Braille.
- Audio (MP3).
- Plain Text File (TXT).
- Braille Ready File (BRF).

**Disasters.** Go to [IRS.gov/DisasterRelief](https://www.irs.gov/DisasterRelief) to review the available disaster tax relief.

**Getting tax forms and publications.** Go to [IRS.gov/Forms](https://www.irs.gov/Forms) to view, download, or print all the forms, instructions, and publications you may need. Or, you can go to [IRS.gov/OrderForms](https://www.irs.gov/OrderForms) to place an order.

**Getting tax publications and instructions in eBook format.** Download and view most tax publications and instructions (including



the Instructions for Form 1040) on mobile devices as eBooks at [IRS.gov/eBooks](https://www.irs.gov/eBooks).

IRS eBooks have been tested using Apple's iBooks for iPad. Our eBooks haven't been tested on other dedicated eBook readers, and eBook functionality may not operate as intended.

**Access your online account (individual taxpayers only).** Go to [IRS.gov/Account](https://www.irs.gov/Account) to securely access information about your federal tax account.

- View the amount you owe and a breakdown by tax year.
- See payment plan details or apply for a new payment plan.
- Make a payment or view 5 years of payment history and any pending or scheduled payments.

- Access your tax records, including key data from your most recent tax return, and transcripts.
- View digital copies of select notices from the IRS.
- Approve or reject authorization requests from tax professionals.
- View your address on file or manage your communication preferences.

**Get a transcript of your return.** With an online account, you can access a variety of information to help you during the filing season. You can get a transcript, review your most recently filed tax return, and get your adjusted gross income. Create or access your online account at [IRS.gov/Account](https://irs.gov/Account).

**Tax Pro Account.** This tool lets your tax professional submit an authorization request to access your individual taxpayer IRS online

account. For more information, go to [IRS.gov/TaxProAccount](https://www.irs.gov/TaxProAccount).

**Using direct deposit.** The safest and easiest way to receive a tax refund is to e-file and choose direct deposit, which securely and electronically transfers your refund directly into your financial account. Direct deposit also avoids the possibility that your check could be lost, stolen, destroyed, or returned undeliverable to the IRS. Eight in 10 taxpayers use direct deposit to receive their refunds. If you don't have a bank account, go to [IRS.gov/DirectDeposit](https://www.irs.gov/DirectDeposit) for more information on where to find a bank or credit union that can open an account online.

## **Reporting and resolving your tax-related identity theft issues.**

- Tax-related identity theft happens when someone steals your personal information to commit tax fraud. Your taxes can be affected if your SSN is used to file a

fraudulent return or to claim a refund or credit.

- The IRS doesn't initiate contact with taxpayers by email, text messages (including shortened links), telephone calls, or social media channels to request or verify personal or financial information. This includes requests for personal identification numbers (PINs), passwords, or similar information for credit cards, banks, or other financial accounts.
- Go to [IRS.gov/IdentityTheft](https://www.irs.gov/IdentityTheft), the IRS Identity Theft Central webpage, for information on identity theft and data security protection for taxpayers, tax professionals, and businesses. If your SSN has been lost or stolen or you suspect you're a victim of tax-related identity theft, you can learn what steps you should take.

- Get an Identity Protection PIN (IP PIN). IP PINs are six-digit numbers assigned to taxpayers to help prevent the misuse of their SSNs on fraudulent federal income tax returns. When you have an IP PIN, it prevents someone else from filing a tax return with your SSN. To learn more, go to [IRS.gov/IPPIN](https://www.irs.gov/ippin).

## **Ways to check on the status of your refund.**

- Go to [IRS.gov/Refunds](https://www.irs.gov/Refunds).
- Download the official IRS2Go app to your mobile device to check your refund status.
- Call the automated refund hotline at 800-829-1954.



*The IRS can't issue refunds before mid-February for returns that claimed the EIC or the additional child tax credit (ACTC). This applies to the entire refund, not just the portion associated with these credits.*

**Making a tax payment.** Payments of U.S. tax must be remitted to the IRS in U.S. dollars. [\*Digital assets\*](#) are **not** accepted. Go to [\*IRS.gov/Payments\*](#) for information on how to make a payment using any of the following options.

- [\*IRS Direct Pay\*](#): Pay your individual tax bill or estimated tax payment directly from your checking or savings account at no cost to you.
- [\*Debit Card, Credit Card, or Digital Wallet\*](#): Choose an approved payment processor to pay online or by phone.
- [\*Electronic Funds Withdrawal\*](#): Schedule a payment when filing your federal taxes using tax return preparation software or through a tax professional.
- [\*Electronic Federal Tax Payment System\*](#): Best option for businesses. Enrollment is required.

- [Check or Money Order](#): Mail your payment to the address listed on the notice or instructions.
- [Cash](#): You may be able to pay your taxes with cash at a participating retail store.
- [Same-Day Wire](#): You may be able to do same-day wire from your financial institution. Contact your financial institution for availability, cost, and time frames.

**Note.** The IRS uses the latest encryption technology to ensure that the electronic payments you make online, by phone, or from a mobile device using the IRS2Go app are safe and secure. Paying electronically is quick, easy, and faster than mailing in a check or money order.

**What if I can't pay now?** Go to [IRS.gov/Payments](https://www.irs.gov/Payments) for more information about your options.

- Apply for an [online payment agreement \(IRS.gov/ OPA\)](https://www.irs.gov/opa) to meet your tax obligation in monthly installments if you can't pay your taxes in full today. Once you complete the online process, you will receive immediate notification of whether your agreement has been approved.
- Use the [Offer in Compromise Pre-Qualifier](https://www.irs.gov/oic) to see if you can settle your tax debt for less than the full amount you owe. For more information on the Offer in Compromise program, go to [IRS.gov/OIC](https://www.irs.gov/oic).

**Filing an amended return.** Go to [IRS.gov/Form1040X](https://www.irs.gov/Form1040X) for information and updates.

**Checking the status of your amended return.** Go to [IRS.gov/WMAR](https://www.irs.gov/wmar) to track the status of Form 1040X amended returns.





*It can take up to 3 weeks from the date you filed your amended return for it to show up in our system, and processing it can take up to 16 weeks.*

**Understanding an IRS notice or letter you've received.** Go to [IRS.gov/Notices](https://www.irs.gov/Notices) to find additional information about responding to an IRS notice or letter.

**Responding to an IRS notice or letter.**

You can now upload responses to all notices and letters using the Document Upload Tool. For notices that require additional action, taxpayers will be redirected appropriately on IRS.gov to take further action. To learn more about the tool, go to [IRS.gov/Upload](https://www.irs.gov/Upload).

**Note.** You can use Schedule LEP (Form 1040), Request for Change in Language Preference, to state a preference to receive notices, letters, or other written communications from the IRS in an alternative language. You may not immediately receive written communications

in the requested language. The IRS's commitment to LEP taxpayers is part of a multiyear timeline that began providing translations in 2023. You will continue to receive communications, including notices and letters, in English until they are translated to your preferred language.

**Contacting your local TAC.** Keep in mind, many questions can be answered on IRS.gov without visiting a TAC. Go to [IRS.gov/LetUsHelp](https://www.irs.gov/LetUsHelp) for the topics people ask about most. If you still need help, TACs provide tax help when a tax issue can't be handled online or by phone. All TACs now provide service by appointment, so you'll know in advance that you can get the service you need without long wait times. Before you visit, go to [IRS.gov/TACLocator](https://www.irs.gov/TACLocator) to find the nearest TAC and to check hours, available services, and appointment options. Or, on the IRS2Go app, under the Stay Connected tab,

choose the Contact Us option and click on “Local Offices.”

## **The Taxpayer Advocate Service (TAS) Is Here To Help You**

### **What Is TAS?**

TAS is an ***independent*** organization within the IRS that helps taxpayers and protects taxpayer rights. TAS strives to ensure that every taxpayer is treated fairly and that you know and understand your rights under the [\*Taxpayer Bill of Rights\*](#).

### **How Can You Learn About Your Taxpayer Rights?**

The Taxpayer Bill of Rights describes 10 basic rights that all taxpayers have when dealing with the IRS. Go to [\*TaxpayerAdvocate.IRS.gov\*](#) to help you understand what these rights mean to you and how they apply. These are ***your*** rights. Know them. Use them.

## **What Can TAS Do for You?**

TAS can help you resolve problems that you can't resolve with the IRS. And their service is free. If you qualify for their assistance, you will be assigned to one advocate who will work with you throughout the process and will do everything possible to resolve your issue.

TAS can help you if:

- Your problem is causing financial difficulty for you, your family, or your business;
- You face (or your business is facing) an immediate threat of adverse action; or
- You've tried repeatedly to contact the IRS but no one has responded, or the IRS hasn't responded by the date promised.

## How Can You Reach TAS?

TAS has offices in every state, the District of Columbia, and Puerto Rico. To find your local advocate's number:

- Go to [TaxpayerAdvocate.IRS.gov/ContactUs](https://TaxpayerAdvocate.IRS.gov/ContactUs);
- Download Pub. 1546, The Taxpayer Advocate Service Is Your Voice at the IRS, available at [IRS.gov/pub/irs-pdf/p1546.pdf](https://IRS.gov/pub/irs-pdf/p1546.pdf);
- Call the IRS toll free at 800TAXFORM (800--8293676) to order a copy of Pub. 1546;
- Check your local directory; or
- Call TAS toll free at 877-777-4778.

## How Else Does TAS Help Taxpayers?

TAS works to resolve large-scale problems that affect many taxpayers. If you know of one of these broad issues, report it to TAS at

[IRS.gov/SAMS](https://www.irs.gov/SAMS). Be sure to not include any personal taxpayer information.

## **Low Income Taxpayer Clinics (LITCs)**

LITCs are independent from the IRS and TAS. LITCs represent individuals whose income is below a certain level and who need to resolve tax problems with the IRS. LITCs can represent taxpayers in audits, appeals, and tax collection disputes before the IRS and in court. In addition, LITCs can provide information about taxpayer rights and responsibilities in different languages for individuals who speak English as a second language. Services are offered for free or a small fee. For more information or to find an LTC near you, go to the LTC page at [TaxpayerAdvocate.IRS.gov/LITC](https://www.TaxpayerAdvocate.IRS.gov/LITC) or see IRS Pub. 4134, [Low Income Taxpayer Clinic List](https://www.irs.gov/pub/irs-pdf/p4134.pdf), at [IRS.gov/pub/irs-pdf/p4134.pdf](https://www.irs.gov/pub/irs-pdf/p4134.pdf).

# **Appendix**

The following appendix is provided to help you claim the education benefits that will give you the lowest tax. It consists of a chart summarizing some of the major differences between the education tax benefits discussed in this publication. It is intended only as a guide. Look in this publication for more complete information.

# 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. **Don't rely on this chart alone.***

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



	Scholarships, Fellowship Grants, and Tuition Reductions	American Opportunity Credit	Lifetime Learning Credit	Student Loan Interest Deduction	Coverdell ESA <sup>†</sup>	Qualified Tuition Program (QTP) <sup>†</sup>	Education Exception to Additional Tax on Early IRA Distributions <sup>†</sup>	Education Savings Bond Program <sup>†</sup>	Employer-Provided Educational Assistance <sup>†</sup>	Business Deduction for Work-Related Education
<b>What is your benefit?</b>	Amounts received may not be taxable	Credits can reduce the amount of tax you must pay.  40% of the credit may be refundable (limited to \$1,000 per student).	Credits can reduce the amount of tax you must pay	Can deduct interest paid	Earnings not taxed	Earnings not taxed	No 10% additional tax on early distribution	Interest not taxed	Employer benefits not taxed	Individuals who are self-employed, Armed Forces reservists, qualified performing artists, fee-based officials, or disabled can deduct certain expenses
<b>What is the annual limit?</b>	None	\$2,500 credit per student	\$2,000 credit per tax return	\$2,500 deduction	\$2,000 contribution per beneficiary	None	Amount of qualified education expenses	Amount of qualified education expenses	\$5,250 exclusion	Amount of qualifying work-related education expenses
<b>What expenses qualify besides tuition and required enrollment fees?</b>	Course-related expenses such as fees, books, supplies, and equipment	Course-related books, supplies, and equipment	Amounts paid for required books, etc., that must be paid to the educational institution are required fees	Books Supplies Equipment  Room & board  Transportation  Other necessary expenses	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 <a href="#">chapter 6</a>	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 <a href="#">chapter 7</a>	Books Supplies Equipment  Room & board if at least half-time student  Expenses for special needs services	Payments to Coverdell ESA  Payments to QTP	Books Supplies Equipment	Transportation  Travel  Other necessary expenses

	Scholarships, Fellowship Grants, Grants, and Tuition Reductions	American Opportunity Credit	Lifetime Learning Credit	Student Loan Interest Deduction	Coverdell ESA†	Qualified Tuition Program (QTP)†	Education Exception to Additional Tax on Early IRA Distributions†	Education Savings Bond Program†	Employer-Provided Educational Assistance†	Business Deduction for Work-Related Education
<b>What education qualifies?</b>	Undergraduate & graduate  K–12	Undergraduate & graduate	Undergraduate & graduate  Courses to acquire or improve job skills	Undergraduate & graduate	Undergraduate & graduate  K–12	Undergraduate & graduate  K–12 for no more than \$10,000 of tuition	Undergraduate & graduate	Undergraduate & graduate	Undergraduate & graduate	Required by employer or law to keep present job, salary, status  Maintain or improve job skills
<b>What are some of the other conditions that apply?</b>	Must be in degree or vocational program  Payment of tuition and required fees must be allowed under the grant	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	No other conditions	Must have been at least half-time student in degree program	Assets must be distributed at age 30 unless special needs beneficiary	No other conditions	No other conditions	Applies only to qualified series EE bonds issued after 1989 or series I bonds	No other conditions	Can't be to meet minimum educational requirements of present trade/business  Can't qualify you for new trade/business
<b>In what income range do benefits phase out?</b>	No phaseout	\$80,000 – \$90,000  \$160,000 – \$180,000 for joint returns	\$80,000 – \$90,000  \$160,000 – \$180,000 for joint returns	\$75,000 – \$90,000  \$155,000 – \$185,000 for joint returns	\$95,000 – \$110,000  \$190,000 – \$220,000 for joint returns	No phaseout	No phaseout	\$91,850 – \$106,850  \$137,800 – \$167,800 for joint returns	No phaseout	No phaseout

† Any nontaxable distribution is limited to the amount that doesn't exceed qualified education expenses.

# Glossary

The education benefits included in this publication were enacted over many years, leading to a number of common terms being defined differently from one benefit to the next. For example, an eligible educational institution means one thing when determining if earnings from a Coverdell ESA aren't taxable and something else when determining if a scholarship or fellowship grant isn't taxable.

For each term listed below that has more than one definition, the definition for each education benefit is listed.

**Academic period:** A semester, trimester, quarter, or other period of study (such as a summer school session) as reasonably determined by an educational institution. If an educational institution uses credit hours or clock hours and doesn't have academic terms,

each payment period can be treated as an academic period.

**Adjusted qualified education expenses**

**(AQEE):** [Qualified education expenses](#)

(defined later) reduced by any tax-free educational assistance, such as a tax-free scholarship or employer-provided educational assistance. They must also be reduced by any qualified education expenses deducted elsewhere on your return, used to determine an education credit or other benefit, or used to determine a tax-free distribution. For information on a specific benefit, see the appropriate chapter in this publication.

**Candidate for a degree:** A student who meets either of the following requirements.

1. Attends a primary or secondary school or pursues a degree at a college or university.

2. Attends an accredited educational institution that is authorized to provide:
  - a. A program that is acceptable for full credit toward a bachelor's or higher degree, or
  - b. A program of training to prepare students for gainful employment in a recognized occupation.

**Designated beneficiary:** The individual named in the document creating the account/plan who is to receive the benefit of the funds in the account/ plan.

**Eligible educational institution:**

1. **American opportunity credit.** Any college, university, vocational school, or other postsecondary educational institution eligible to participate in a student aid program administered by the U.S. Department of Education. It includes virtually all accredited public,

nonprofit, and proprietary (privately owned profit-making) postsecondary institutions.

2. **Coverdell education savings account (ESA).** Any college, university, vocational school, or other postsecondary educational institution eligible to participate in a student aid program administered by the U.S. Department of Education. It includes virtually all accredited public, nonprofit, and proprietary (privately owned profit-making) postsecondary institutions. Also included is any public, private, or religious school that provides elementary or secondary education (kindergarten through grade 12), as determined under state law.
3. **Education savings bond program.** Same as *American opportunity credit* in this category.

4. **IRA, early distributions from.** Same as *American opportunity credit* in this category.
5. **Lifetime learning credit.** Same as *American opportunity credit* in this category.
6. **Qualified tuition program (QTP).** Generally, same as *Coverdell education savings account (ESA)* in this category.
7. **Scholarships and fellowship grants.** An institution that maintains a regular faculty and curriculum and normally has a regularly enrolled body of students in attendance at the place where it carries on its educational activities.
8. **Student loan, cancellation of.** Same as *Scholarships and fellowship grants* in this category.

9. **Student loan interest deduction.**

Any college, university, vocational school, or other postsecondary educational institution eligible to participate in a student aid program administered by the U.S. Department of Education. It includes virtually all accredited public, nonprofit, and proprietary (privately owned profit-making) postsecondary institutions. Also included is an institution that conducts an internship or residency program leading to a degree or certificate from an institution of higher education, a hospital, or a health care facility that offers postgraduate training.



## **Eligible student:**

1. **American opportunity credit.** A student who meets all of the following requirements for the tax year for which the credit is being determined.
  - Didn't have expenses that were used to figure an American opportunity credit in any 4 earlier tax years.
  - Hadn't completed the first 4 years of postsecondary education (generally, the freshman through senior years) in an earlier tax year.
  - For at least one academic period beginning in the tax year, was enrolled at least half-time in a program leading to a degree, certificate, or other recognized educational credential at an eligible educational institution.

- Was free of any federal or state felony conviction for possessing or distributing a controlled substance as of the end of the tax year.
2. **Lifetime learning credit.** A student who is enrolled in one or more courses at an eligible educational institution.
  3. **Student loan interest deduction.** A student who was enrolled at least half-time in a program leading to a postsecondary degree, certificate, or other recognized educational credential at an eligible educational institution.

**Half-time student:** A student who is enrolled for at least half the full-time academic workload for the course of study the student is pursuing, as determined under the standards of the school where the student is enrolled.

## **Modified adjusted gross income (MAGI):**

1. **American opportunity credit.**

Adjusted gross income (AGI) as figured on the federal income tax return, modified by adding back any:

- Foreign earned income exclusion,
- Foreign housing exclusion,
- Foreign housing deduction,
- Exclusion of income by bona fide residents of American Samoa, and
- Exclusion of income by bona fide residents of Puerto Rico.

2. **Coverdell education savings account (ESA).** Same as *American opportunity credit* in this category.

3. **Education savings bond program.** AGI as figured on the federal income tax return without taking into account

any savings bond interest exclusion and modified by adding back any:

- Foreign earned income exclusion,
- Foreign housing exclusion,
- Foreign housing deduction,
- Exclusion of income by bona fide residents of American Samoa,
- Exclusion of income by bona fide residents of Puerto Rico,
- Exclusion for adoption benefits received under an employer's adoption assistance program, and
- Deduction for student loan interest.

4. **Lifetime learning credit.** Same as *American opportunity credit* in this category.

5. **Student loan interest deduction.** AGI as figured on the federal income

tax return without taking into account any student loan interest deduction, and modified by adding back any:

- Foreign earned income exclusion,
- Foreign housing exclusion,
- Foreign housing deduction,
- Exclusion of income by bona fide residents of American Samoa, and
- Exclusion of income by bona fide residents of Puerto Rico.

**Phaseout:** The amount of credit or deduction allowed is reduced when the MAGI is greater than a specified amount of income.

**Qualified education expenses:** See the pertinent chapter for specific items.

1. **American opportunity credit.**  
Tuition and certain related expenses (including student activity fees) required for enrollment or attendance

at an eligible educational institution. Books, supplies, and equipment needed for a course of study are included even if not purchased from the educational institution. Doesn't include expenses for room and board. Doesn't include expenses for courses involving sports, games, or hobbies (including noncredit courses) that aren't part of the student's postsecondary degree program.

2. **Coverdell education savings** account (ESA). Expenses related to or required for enrollment or attendance of the designated beneficiary at an eligible elementary, secondary, or postsecondary school. Includes computer or peripheral equipment, computer software, or Internet access and related services. Many specialized expenses included for K–12. Also

includes expenses for special needs services and contributions to a QTP.

3. **Education savings bond program.**

Tuition and fees required to enroll at or attend an eligible educational institution. Also includes contributions to a QTP or Coverdell ESA. Doesn't include expenses for room and board. Doesn't include expenses for courses involving sports, games, or hobbies that aren't part of a degree or certificate-granting program.

4. **IRA, early distributions from.**

Tuition, fees, books, supplies, and equipment required for enrollment or attendance at an eligible educational institution, plus certain limited costs of room and board for students who are enrolled at least half-time. Also includes expenses for special needs services incurred by or for special

needs students in connection with their enrollment or attendance.

5. **Lifetime learning credit.** Tuition and certain related expenses required for enrollment or attendance at an eligible educational institution. Student activity fees and expenses for course-related books, supplies, and equipment are included only if the fees and expenses must be paid to the institution as a condition of enrollment or attendance. Doesn't include expenses for room and board. Doesn't include expenses for courses involving sports, games, or hobbies (including noncredit courses) that aren't part of the student's postsecondary degree program, unless taken by the student to acquire or improve job skills.

6. **Qualified tuition program (QTP).** Tuition, fees, books, supplies, and equipment required for enrollment or



attendance at an eligible higher educational institution, plus certain limited costs of room and board for students who are enrolled at least half-time. Includes computer or peripheral equipment, computer software, or Internet access and related services. Also includes expenses for special needs services and computer access. Also, for amounts paid from distributions made after 2017, includes no more than \$10,000 of elementary and secondary school (K–12) tuition incurred after 2017.

7. **Scholarships and fellowship grants.**

Expenses for tuition and fees required to enroll at or attend an eligible educational institution, and course-related expenses, such as fees, books, supplies, and equipment that are required for the courses at the eligible

educational institution. Course-related items must be required of all students in the course of instruction.

8. **Student loan interest deduction.**

Total costs of attending an eligible educational institution, including graduate school (however, limitations may apply to the cost of room and board allowed).

**Recapture:** To include as income on your current year's return an amount allowed as a deduction in a prior year. To include as tax on your current year's return an amount allowed as a credit in a prior year.

**Rollover:** A tax-free distribution to you of cash or other assets from a tax-favored plan that you contribute to another tax-favored plan.

**Transfer:** A movement of funds in a tax-favored plan from one trustee directly to another, either at your request or at the trustee's request.

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To help us develop a more useful index, please let us know if you have ideas for index entries. See “Comments and Suggestions” in the “Introduction” for the ways you can reach us.

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