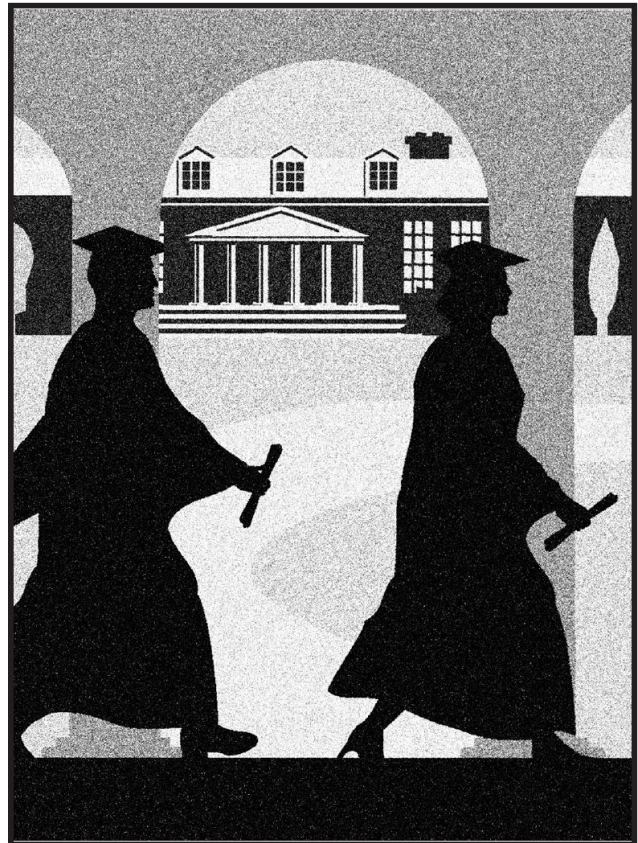


Publication 970

Tax Benefits for Education

For use in preparing **2024** Returns

Volume 6 of 6



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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.

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Highlights of Education Tax Benefits for Tax Year 2024

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 [†]	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
What is your benefit?	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
What is the annual limit?	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
What expenses qualify besides tuition and required enrollment fees?	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 chapter 6	Higher education: Books Supplies Equipment Room & board if at least half-time student Computer equipment, computer software, or Internet access and related services Expenses for special needs services Elem/sec (K–12) education: See chapter 7	Books Supplies Equipment Room & board if at least half-time student Computer equipment, computer software, or Internet access and related services 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
What education qualifies?	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
What are some of the other conditions that apply?	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
In what income range do benefits phase out?	No phaseout	\$80,000 – \$90,000 \$160,000 – \$180,000 for joint returns	\$80,000 – \$90,000 \$160,000 – \$180,000 for joint returns	\$80,000 – \$95,000 \$165,000 – \$195,000 for joint returns	\$95,000 – \$110,000 \$190,000 – \$220,000 for joint returns	No phaseout	No phaseout	\$96,800 – \$111,800 \$145,200 – \$175,200 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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