

# Summary of Common Federal Education Tax Benefits



Education tax benefits include both credits and deductions. A tax credit reduces the amount of income tax you may have to pay while a tax deduction reduces the amount of income subject to tax. Below, you'll see a chart highlighting the four most common education tax benefits. *(Note: The American Opportunity Tax Credit and Lifetime Learning Credit will not be allowed unless the student receives a Form 1098-T from an eligible educational institution — exceptions will be made for students whose institutions aren't required to send them a 1098-T.)*

CREDIT / DEDUCTION	YOU MAY BE ABLE TO CLAIM IF: <sup>1</sup>	QUALIFIED EDUCATION EXPENSES	MAX CREDIT / DEDUCTION <sup>2,3</sup>	TAX BENEFIT INCOME PHASE-OUT <sup>4</sup>
<b>American Opportunity Tax Credit (AOTC)</b> <sup>5</sup>	You (1) are pursuing a degree or other recognized education credential, (2) are enrolled at least half time for at least one academic period beginning in the tax year, (3) have not yet finished the first four years of higher education at the beginning of the tax year, (4) have not claimed the AOTC or the former Hope credit for more than four tax years, and (5) do not have a felony drug conviction at the end of the tax year.	Tuition, required enrollment fees and course materials needed for course of study.	Up to \$2,500 per eligible student, per year. Maximum of four years (which includes any year a "Hope Scholarship Credit" was claimed).	Single Filers: \$80,000 - \$90,000  Joint Filers: \$160,000 - \$180,000
<b>Lifetime Learning Credit (LLC)</b>	(1) You, your dependent, or a third party pay qualified education expenses for higher education; (2) You, your dependent or a third party pay the education expenses for an eligible student enrolled at an eligible educational institution; and (3) The eligible student is yourself, your spouse or a dependent you listed on your tax return.	Tuition and fees required for enrollment or attendance.	Up to \$2,000 per tax return, per year.	Single Filers: \$58,000 - \$68,000  Joint Filers: \$116,000 - \$136,000
<b>Tuition and Fees Deduction</b> <sup>6</sup>	You (1) pay qualified education expenses for an eligible student (yourself, your spouse, or a dependent you claim on your tax return), and (2) take one or more courses at an eligible educational institution during the tax year.	Tuition and fees required for enrollment or attendance.	Up to \$4,000 per tax return, per year.	Single Filers: \$65,000 - \$80,000  Joint Filers: \$130,000 - \$160,000
<b>Student Loan Interest Deduction</b>	You (1) are legally obligated to pay the interest on a student loan which funded qualified education expenses for yourself, your spouse or a dependent for whom you claimed a Federal tax exemption during the year the loan was originated, and (2) paid interest during the applicable tax year.	Tuition and fees required for enrollment or attendance.	Up to \$2,500 per tax return, per year.	Single Filers: \$70,000 - \$85,000  Joint Filers: \$140,000 - \$170,000

<sup>1</sup> This information and more on education tax credits/deductions can be found at [IRS.gov](https://www.irs.gov).

<sup>2</sup> Married borrowers who file their taxes separately are not eligible for the described credits/deductions. In addition, there are restrictions to claiming benefits from more than one of the listed programs in a given tax year. For example, taxpayers can only claim one of the two tax credits per year, and they cannot also claim a deduction for the same qualified education expenses for which they are claiming a credit (known as "double dipping").

<sup>3</sup> Cannot claim credit/deduction if you are claimed as a dependent on someone else's tax return.

<sup>4</sup> Measured against Modified Adjusted Gross Income.

<sup>5</sup> If this credit brings the amount of tax you owe to zero, you can have 40 percent of any remaining amount up to \$1,000 refunded to you.

<sup>6</sup> Per the Bipartisan Budget Act of 2018, signed into law Feb. 9, 2018, the Tuition and Fees Deduction has most recently been extended for tax year 2017. It may or may not be extended again. If so, the MAGI thresholds listed in this section may change.

*This document is for informational purposes only. AccessLex is not a legal or tax advisor. Please refer to the IRS Publication 970 for more detailed information about all the tax benefits for education, including a complete list of tax benefits and tax treatments of scholarships and grants. For more information on taxes, education tax credits and deductions, please contact your tax advisor or the Internal Revenue Service.*

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