

Income Limits

Hope, Lifetime - The amount of your education credit is gradually reduced (phased out) if your modified adjusted gross income (MAGI) is \$41,000 - \$51,000 for single filers and \$83,000 - \$103,000 for joint filers. You cannot claim a credit if your MAGI exceeds the maximum for your filing status. These limits are adjusted for inflation annually.

Student Loan - The amount of your student loan interest deduction will be phased out (gradually reduced) if your MAGI is \$50,000 - \$65,000 for single filers and \$100,000 - \$130,000 for joint filers. You will not be able to take a deduction if your MAGI exceeds the maximum for your filing status. These limits are adjusted for inflation annually.

Deduction for Higher Education Expenses - The amount of your deduction is phased out if your MAGI is \$50,000 - \$65,000 for single filers and \$100,000 - \$130,000 for joint filers. You cannot take a deduction if your MAGI exceeds the maximum for your filing status.

Education Savings Bond - The amount of your interest exclusion will be phased out (gradually reduced) if your MAGI is \$58,500 - \$73,500 for single filers and \$87,750 - \$117,750 for joint filers. You will not be able to exclude any interest if your MAGI exceeds the maximum for your filing status.

Definitions

Modified Adjusted Gross Income (MAGI): For most taxpayers, MAGI is the same as their adjusted gross income (AGI) as figured on their federal income tax return. Complete information on how to calculate MAGI appears in IRS Publication 970.

Eligible filing status: Taxpayers with a filing status of "married filing separately" or who are listed as a dependent on another person's tax return are not eligible.

Non-US resident aliens: Generally, a non-US resident alien is not eligible for tax credit, with the exception of the Education Savings Bond.

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Restrictions & Clarifications

For the Hope Scholarship Credit and Lifetime Learning Credit, the taxpayer can take into account out-of-pocket expenses, such as those paid with a Pell Grant or other scholarship. The Hope Scholarship Credit, Lifetime Learning Credit, and the Deduction for Higher Education Expenses cannot be claimed for the same dependent student in the same year. A taxpayer cannot claim a Student Loan Interest Deduction while also claimed as a dependent on another taxpayer's return. Generally you cannot claim more than one benefit for the same education expense.

The Oregon Student Assistance Commission (OSAC) is the designated agency in the State of Oregon to provide local management for the Federal Family Education Loan Program.

OSAC also administers private scholarships and awards as well as the Oregon Opportunity Grant and other financial aid.

Our mission is to help Oregonians gain access to higher education. For more information, visit our web site at www.osac.state.or.us or call 1-800-452-8807.



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Helping Oregonians Reach Higher



A Review of Your Higher Education Tax Benefits

Oregon Student Assistance Commission
www.osac.state.or.us



Making the Most of the Tax Laws!

To help make college more affordable, the Federal government has designed several programs to reduce the impact of paying for college. The following chart offers an overview of these programs. *Although this information is based on IRS publications, it has not been reviewed or approved by the IRS. For more information, download a copy of Publication 970 from the IRS website (www.irs.gov) or request a copy from an IRS office. Be sure to consult a professional tax or financial advisor before making any decisions about saving for college and/or tax liabilities.*

Consult IRS Publication 970 for information on contributions to Coverdell Education Savings Accounts (formerly an Education IRA), Qualified Tuition Programs (QTP), early withdrawals from IRA, and employer-provided educational assistance.

*School Eligibility: The college, university, vocational school, or other postsecondary educational institution must be eligible to participate in student aid programs administered by the U.S. Department of Education.



PROGRAM	Taxpayer Eligibility	Educational Eligibility	Student's Enrollment Status	Effective Date	Tax Credit/Deduction Calculation	Limitations	Qualifying Expenses
Hope Scholarship Credit	Taxpayer, spouse, & dependents	First 2 years of undergraduate postsecondary education	At least half-time in a degree-granting undergraduate program	Expenses paid on/after January 1, 2001	100% of first \$1000, 50% of next \$1000 (\$1,500 max per student)	Indexed for inflation starting in 2002, Can be claimed for only 2 tax years	Tuition and fees
Lifetime Learning Credit	Taxpayer, spouse, & dependents	Any undergraduate, graduate, or professional study	At least one postsecondary course	Expenses paid on/after January 1, 2001	20% of first \$10,000 (\$2,000 max per family)	May claim credit in same year as receive distribution from Coverdell ESA or qualified tuition program, but cannot use same expenses for both	Tuition and fees
Deduction for Higher Education Expenses	Taxpayer, spouse, & dependents (Available only for tax years 2002 through 2005)	Any undergraduate, graduate, or professional study. Student must have a high school diploma or a General Education Development (GED) credential	At least one postsecondary course	Expenses paid on/after January 1, 2001	\$3,000 max per year (\$2,000 max for higher income taxpayers)	Maximum deduction will be \$4,000 in 2004 and 2005	Tuition and fees
Student Loan Interest Deduction	Taxpayer, spouse, & dependents	Any undergraduate, graduate, or professional study	At least half-time when loans used	All interest (including capitalized interest, origination fees, and voluntary interest payments)	\$2,500 max per year		Tuition, fees, room & board, books, supplies & other educational expenses
Education Savings Bond	Taxpayer, spouse, & dependents (Bond owner must be at least 24 years old before bond's issue date)	Any undergraduate, graduate, or professional study	At least one postsecondary course	Series EE bonds issued after 1989 or Series I bonds issued in the name of the taxpayer or the taxpayer & spouse	Interest not taxed		Tuition and fees minus grants and scholarships. May include contributions to qualified tuition program or Coverdell education savings account (ESA)