

## Example of Hope and Lifetime Learning Tax Credits

Assume that a family has two dependents, one class year apart, who attend the same college. The family pays \$5,000 per year, per dependent, for four years in qualified higher education expenses. The following chart shows the benefit the family will receive as their children progress through their postsecondary education (five years total).

|                            | 1st Year           | 2nd Year  | 3rd Year  | 4th Year | 5th Year |
|----------------------------|--------------------|-----------|-----------|----------|----------|
| <b>Student #1</b>          | Freshman           | Sophomore | Junior    | Senior   | —        |
| <b>Hope Tax Credit</b>     | \$1,500            | \$1,500   | \$0       | \$0      | \$0      |
| <b>Lifetime Tax Credit</b> | \$0                | \$0       | \$2,000   | \$2,000  | \$0      |
| <b>Student #2</b>          | High School Senior | Freshman  | Sophomore | Junior   | Senior   |
| <b>Hope Tax Credit</b>     | —                  | \$1,500   | \$1,500   | \$0      | \$0      |
| <b>Lifetime Tax Credit</b> | —                  | \$0       | \$0       | \$0      | \$2,000  |
| <b>Total Tax Benefit</b>   | \$1,500            | \$3,000   | \$3,500   | \$2,000  | \$2,000  |

This family, receiving the maximum amount of both of these tax credits, will have paid \$12,000 less in taxes over this five-year period.

### Contact Information for Financial Aid

Phone: 1-800-444-2433

E-mail: [finaid@cedarville.edu](mailto:finaid@cedarville.edu)

Web: [www.cedarville.edu/finaid](http://www.cedarville.edu/finaid)

Fred Merritt, *Director*  
[merrittf@cedarville.edu](mailto:merrittf@cedarville.edu)

Tonya Bailey, *Compliance Manager*  
[baileyt@cedarville.edu](mailto:baileyt@cedarville.edu)

Ken Rotroff, *Assistant Director*  
[rotroffk@cedarville.edu](mailto:rotroffk@cedarville.edu)

Vicky Herby, *Administrative Assistant*  
[herbyv@cedarville.edu](mailto:herbyv@cedarville.edu)

Steve Winey, *Assistant Director*  
[wineys@cedarville.edu](mailto:wineys@cedarville.edu)

Jaime Hawkins, *Administrative Assistant*  
[jhawkins@cedarville.edu](mailto:jhawkins@cedarville.edu)

Pam Flippin, *Student Loan Coordinator*  
[flippinp@cedarville.edu](mailto:flippinp@cedarville.edu)

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**Tax Benefits**  
 for **Education**

This chart lists the various tax benefits that you may be able to use to help save money when paying for education. However, you can't rely on the information in this chart alone. Also, please note that you generally cannot claim more than one benefit for the same education expense. To obtain a copy of this chart or for additional information regarding tax benefits, visit [www.irs.gov](http://www.irs.gov).

**Cedarville University is not providing legal or tax advice. For advice and assistance about your case, consult the services of an attorney or other professional advisor. The purpose of this publication is to provide general information about selected portions of the "IRS Tax Benefits for Education Publication 970."**

|                                                                            | Hope Credit                                                                                                                | Lifetime Learning Credit                                             | Student Loan Interest Deduction                                                          | Tuition and Fees Deduction                                                      | Coverdell ESA*                                                                                                                                                                                                                                                           | Qualified Tuition Program (QTP)*                                                                              | Early IRA Distributions*                                                                                      | Education Savings Bond Program*                                               |
|----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| <b>What is your benefit?</b>                                               | Credits can reduce amount of tax you must pay.                                                                             | Credits can reduce amount of tax you must pay.                       | Can deduct interest paid                                                                 | Can deduct expenses                                                             | Earnings not taxed                                                                                                                                                                                                                                                       | Earnings not taxed                                                                                            | No 10% additional tax on early distribution                                                                   | Interest not taxed                                                            |
| <b>What is the annual limit?</b>                                           | \$1,500 credit per student                                                                                                 | \$2,000 credit per family                                            | \$2,500 deduction                                                                        | \$4,000 deduction                                                               | \$2,000 contribution per beneficiary                                                                                                                                                                                                                                     | None                                                                                                          | Amount of qualified education expenses                                                                        | Amount of qualified education expenses                                        |
| <b>What expenses qualify besides tuition and required enrollment fees?</b> | None                                                                                                                       | None                                                                 | Books, supplies, equipment, room and board, transportation, and other necessary expenses | None                                                                            | Books, supplies, equipment, expenses for special needs services, payments to QTP; higher education: room and board if at least half-time student; elem/sec (K-12) education: tutoring, room and board, uniforms, transportation, computer access, supplementary expenses | Books, supplies, equipment, room and board if at least half-time student, expenses for special needs services | Books, supplies, equipment, room and board if at least half-time student, expenses for special needs services | Payments to Coverdell ESA; payments to QTP                                    |
| <b>What education qualifies?</b>                                           | First two years of undergraduate (postsecondary)                                                                           | Undergraduate and graduate; courses to acquire or improve job skills | Undergraduate and graduate                                                               | Undergraduate and graduate                                                      | Undergraduate, graduate, and K-12                                                                                                                                                                                                                                        | Undergraduate and graduate                                                                                    | Undergraduate and graduate                                                                                    | Undergraduate and graduate                                                    |
| <b>What are some of the other conditions that apply?</b>                   | Can be claimed for only two tax years; must be enrolled at least half-time in degree program; no felony drug conviction(s) | N/A                                                                  | Must have been at least half-time student in degree program                              | Cannot claim both deduction and education credits for same student in same year | Assets must be distributed at age 30 unless special needs beneficiary                                                                                                                                                                                                    | N/A                                                                                                           | N/A                                                                                                           | Applies only to qualified Series EE Bonds issued after 1989 or Series I Bonds |
| <b>In what income range do benefits phase out?</b>                         | \$43,000-\$53,000<br>\$87,000-\$107,000 for joint returns                                                                  | \$43,000-\$53,000<br>\$87,000-\$107,000 for joint returns            | \$50,000-\$65,000<br>\$105,000-\$135,000 for joint returns                               | \$65,000-\$80,000<br>\$130,000-\$160,000 for joint returns                      | \$95,000-\$110,000<br>\$190,000-\$220,000 for joint returns                                                                                                                                                                                                              | No phaseout                                                                                                   | No phaseout                                                                                                   | \$61,000-\$76,200<br>\$91,850-\$121,850 for joint returns                     |

\*Any nontaxable distribution is limited to the amount that does not exceed qualified education expenses.