

**Education Tax Benefits
Current Policy vs. Scheduled Changes (Absent Congressional Action)**

Scheduled Changes on December 31, 2012

Tax Benefit	Description 2012 Tax Year	Income Limit 2012 Tax Year	Revenue Loss FY2012 (\$ billions)	Tax Year 2013 Status If Not Extended
American Opportunity Tax Credit (AOTC)	Provides up to \$2,500 per student per year to cover tuition and fees or other qualified higher education expenses for up to 4 years. Refundable up to \$1,000 for tax filers with no taxable income.	\$80,000-\$90,000 (\$160,000-\$180,000 if married and filing jointly)	\$14.290	Credit expires. Reverts to Hope Credit, which is available at lower income limits, for two years of expenses, and is not refundable. (Reduces revenue loss to \$5.8 billion per year).
Exclusion of Scholarships, Grants, and Tuition Reductions	Taxpayers may exclude from taxable income scholarships or grant funds received from two federal programs.	None	\$3.170	National Health Service Corps aid and F. Edward Herbert Armed Services Health Professionals scholarships treated as taxable income.
Parental Personal Exemption for Dependent Students Aged 19-23	Parents with dependent children aged 19-23 who are full-time students may claim an exemption of \$3,800 per student.	None	\$3.120	Taxpayers with income over \$177,500 (\$266,300 if married and filing jointly) may not claim exemptions over \$122,500.
Student Loan Interest Deduction	Taxpayers may deduct up to \$2,500 per year in interest paid on student loans. Deduction is "above-the-line," meaning that filers need not itemize to claim it.	\$60,00-\$75,000 (\$125,000-\$155,000 if married and filing jointly)	\$0.850	Limits deduction to 60 months of interest payments; eligibility phase out range drops to \$40,000-\$55,000 (\$60,000-\$75,000 if married and filing jointly)
Coverdell Education Savings Accounts	Parents may contribute up to \$2,000 annually per child to an investment account, the earnings of which are not taxed. Contributions may be used for K-12 or higher education costs.	\$95,000-\$110,000 (\$190,000-\$220,000 if married and filing jointly)	\$0.800	Annual contribution limit reduced to \$500; phase out range lowered for married taxpayers to \$150,000-\$160,000; K-12 expenses no longer qualified; other changes.
Exclusion of Employer-Provided Educational Assistance	Up to \$5,250 in employer-provided assistance for tuition and fees or other qualified higher education expenses for undergraduate or graduate education is not treated as taxable income for the recipient.	None	\$0.750	Employer-provided assistance treated as taxable income.

Changes as of December 31, 2011

Tax Benefit	Description 2011 Tax Year	Income Limit 2011 Tax Year	Revenue Loss FY2011 (\$ billions)	Tax Year 2012 Status If Not Extended
Deduction for Tuition and Fees	Taxpayers may deduct up to \$4,000 per year in tuition and fees payments for undergraduate or graduate education.	\$65,000-\$80,000 (\$130,000-\$160,000 if married and filing jointly)	\$0.690	Expired
Deduction for Teacher Classroom Expenses	K-12 teachers may deduct up to \$250 per year for qualified classroom expenses.	None	\$0.190	Expired

Source: New America Foundation, Joint Committee on Taxation, White House Office of Management and Budget