



Tax Benefits for Education: Information Center



- You can use the IRS's [Interactive Tax Assistant](#) tool to help determine if you're eligible for educational credits or deductions, including the [American Opportunity Tax Credit \(AOTC\)](#) or the [Lifetime Learning Credit \(LLC\)](#).
- There are additional requirements for foreign students and dependents who have an ITIN. Review the AOTC and [Publication 519, U.S. Tax Guide for Aliens](#) for details.

Pop Quiz! Do You Qualify for an Education Tax Credit?

Transcript

Tax [credits](#), [deductions](#) and [savings plans](#) can help taxpayers with their expenses for higher education.

- A tax credit reduces the amount of income tax you may have to pay.
- A deduction reduces the amount of your income that is subject to tax, thus generally reducing the amount of tax you may have to pay.
- Certain savings plans allow the accumulated earnings to grow tax-free until money is taken out (known as a distribution), or allow the distribution to be tax-free, or both.
- An [exclusion from income](#) means that you won't have to pay income tax on the benefit you're receiving, but you also won't be able to use that same tax-free benefit for a deduction or credit.

See IRS [Publication 970, Tax Benefits for Education](#) [PDF](#) for details on these benefits, including an appendix with an illustrated example and a comparison chart of the various benefits.

Credits

An education credit helps with the cost of higher education by reducing the amount of tax owed on your tax return. If the credit reduces your tax to less than zero, you may get a refund. There are two education credits available: the [American Opportunity Tax Credit](#) and the [Lifetime Learning Credit](#).

Who can claim an education credit?

There are additional rules for each credit, but you must meet all three of the following for either credit:

1. You, your dependent or a third party pays [qualified education expenses](#) for higher education.
2. An eligible student must be enrolled at an [eligible educational institution](#).
3. The eligible student is yourself, your spouse or a dependent you list on your tax return.

If you're eligible to claim the lifetime learning credit and are also eligible to claim the American opportunity credit for the same student in the same year, you can choose to claim either credit, but not both. You can't claim the AOTC if you were a nonresident alien for any part of the tax year unless you elect to be treated as a resident alien for federal tax purposes. For more information about AOTC and foreign students, visit [American Opportunity Tax Credit - Information for Foreign Students](#).

The law requires that both you and your qualifying student have a valid Social Security number or Individual Taxpayer Identification Number, issued before the due date for your tax return, in order to claim the AOTC.

To claim the AOTC or LLC, use [Form 8863, Education Credits \(American Opportunity and Lifetime Learning Credits\)](#). Additionally, if you claim the AOTC, the law requires you to include the school's **Employer Identification Number** on this form.

Deductions

Tuition and fees deduction

If you already filed your return for a prior year and now want to claim the deduction for that year, you can do so by filing an amended return on [Form 1040-X, Amended U.S. Individual Income Tax Return](#). Amended returns can take up to 16 weeks to process.

See also: [Form 8917, Tuition and Fees Deduction](#)

Student loan interest deduction

Generally, personal interest you pay, other than certain mortgage interest, is not deductible on your tax return. However, if your modified adjusted gross income (MAGI) is less than \$80,000 (\$160,000 if filing a joint return), there is a special deduction allowed for paying interest on a student loan (also known as an education loan) used for higher education. Student loan interest is interest you paid during the year on a qualified student loan. It includes both required and voluntary interest payments.

For most taxpayers, MAGI is the adjusted gross income as figured on their federal income tax return before subtracting any deduction for student loan interest. This deduction can reduce the amount of your income subject to tax by up to \$2,500.

The student loan interest deduction is taken as an adjustment to income. This means you can claim this deduction even if you do not itemize deductions on Form 1040's Schedule A.

Qualified student loan

This is a loan you took out solely to pay qualified education expenses (defined later) that were:

- For you, your spouse, or a person who was your dependent when you took out the loan.
- Paid or incurred within a reasonable period of time before or after you took out the loan.

- For education provided during an academic period for an eligible student.

Loans from the following sources are not qualified student loans:

- A related person.
- A qualified employer plan.

Qualified education expenses

For purposes of the student loan interest deduction, these expenses are the total costs of attending an eligible educational institution, including graduate school. They include amounts paid for the following items:

- Tuition and fees.
- Room and board.
- Books, supplies and equipment.
- Other necessary expenses (such as transportation).

The cost of room and board qualifies only to the extent that it is not more than the greater of:

- The allowance for room and board, as determined by the eligible educational institution, that was included in the cost of attendance (for federal financial aid purposes) for a particular academic period and living arrangement of the student, or
- The actual amount charged if the student is residing in housing owned or operated by the eligible educational institution.

Business deduction for work-related education

If you are an employee and can itemize your deductions, you may be able to claim a deduction for the expenses you pay for your work-related education. Your deduction will be the amount by which your qualifying work-related education expenses plus other job and certain miscellaneous expenses is greater than 2% of your adjusted gross income. An itemized deduction may reduce the amount of your income subject to tax.

If you are self-employed, you deduct your expenses for qualifying work-related education directly from your self-employment income. This reduces the amount of your income subject to both income tax and self-employment tax.

Your work-related education expenses may also qualify you for other tax benefits, such as the the American opportunity credit, tuition and fees deduction and the lifetime learning credit. You may qualify for these other benefits even if you do not meet the requirements listed above. You can't claim this deduction as well as the tuition and fees deduction for the same expense, nor can you claim this deduction as well as an education credit for the same expense.

To claim a business deduction for work-related education, you must:

- Be working.
- Itemize your deductions on Schedule A (Form 1040 or 1040NR) if you are an employee.
- File Schedule C (Form 1040), Schedule C-EZ (Form 1040), or Schedule F (Form 1040) if you are self-employed.
- Have expenses for education that meet the requirements discussed under Qualifying Work-Related Education, below.

Qualifying work-related education

You can deduct the costs of qualifying work-related education as business expenses. This is education that meets at least one of the following two tests:

- The education is required by your employer or the law to keep your present salary, status or job. The required education must serve a bona fide business purpose of your employer.
- The education maintains or improves skills needed in your present work.

However, even if the education meets one or both of the above tests, it is not qualifying work-related education if it:

- Is needed to meet the minimum educational requirements of your present trade or business or
- Is part of a program of study that will qualify you for a new trade or business.

You can deduct the costs of qualifying work-related education as a business expense even if the education could lead to a degree.

Education required by employer or by law

Education you need to meet the minimum educational requirements for your present trade or business is not qualifying work-related education. Once you have met the minimum educational requirements for your job, your employer or the law may require you to get more education. This additional education is qualifying work-related education if all three of the following requirements are met.

- It is required for you to keep your present salary, status or job.
- The requirement serves a business purpose of your employer.
- The education is not part of a program that will qualify you for a new trade or business.

When you get more education than your employer or the law requires, the additional education can be qualifying work-related education only if it maintains or improves skills required in your present work.

Education to maintain or improve skills

If your education is not required by your employer or the law, it can be qualifying work-related education only if it maintains or improves skills needed in your present work. This could include refresher courses, courses on current developments and academic or vocational courses.

Savings Plans

Tax Cuts and Jobs Act (TCJA) changes to qualified tuition programs (529 plans)

The TCJA made some changes to 529 plans. You may rollover limited amounts from a 529 qualified tuition program account of the designated beneficiary to the ABLE account of the designated beneficiary to their

family member. See [Guidance](#) [PDF](#) on Recontributions, Rollovers and Qualified Higher Education Expenses under Section 529 for more information.

Another TCJA change allows distributions from 529 plans to be used to pay up to a total of \$10,000 of tuition per beneficiary (regardless of the number of contributing plans) each year at an elementary or secondary (K-12) public, private or religious school of the beneficiary's choosing. See [Guidance](#) [PDF](#) on Recontributions, Rollovers and Qualified Higher Education Expenses under Section 529 for more information.

Qualified tuition programs (529 plans)

States may establish and maintain programs that allow you to either prepay or contribute to an account for paying a student's qualified education expenses at a postsecondary institution. Eligible educational institutions may establish and maintain programs that allow you to prepay a student's qualified education expenses. If you prepay tuition, the student (designated beneficiary) will be entitled to a waiver or a payment of qualified education expenses. You can't deduct either payments or contributions to a QTP. For information on a specific QTP, you will need to contact the state agency or eligible educational institution that established and maintains it.

No tax is due on a distribution from a QTP unless the amount distributed is greater than the beneficiary's adjusted qualified education expenses. Qualified expenses include required tuition and fees, books, supplies and equipment including computer or peripheral equipment, computer software and internet access and related services if used primarily by the student enrolled at an eligible education institution. Someone who is at least a half-time student, room and board may also qualify.

Coverdell Education Savings Account (ESA)

A Coverdell ESA can be used to pay either qualified higher education expenses or qualified elementary and secondary education expenses. Income limits apply to contributors, and the total contributions for the

beneficiary of this account can't be more than \$2,000 in any year, no matter how many accounts have been established. A beneficiary is someone who is under age 18 or is a special needs beneficiary.

Contributions to a Coverdell ESA are not deductible, but amounts deposited in the account grow tax free until distributed. The beneficiary will not owe tax on the distributions if they are less than a beneficiary's qualified education expenses at an eligible institution. This benefit applies to qualified higher education expenses as well as to qualified elementary and secondary education expenses.

Here are some things to remember about distributions from Coverdell accounts:

- Distributions are tax-free as long as they are used for qualified education expenses, such as tuition and fees, required books, supplies and equipment and qualified expenses for room and board.
- There is no tax on distributions if they are for enrollment or attendance at an eligible educational institution. This includes any public, private or religious school that provides elementary or secondary education as determined under state law. Virtually all accredited public, nonprofit and proprietary (privately owned profit-making) post-secondary institutions are eligible.
- Education tax credits can be claimed in the same year the beneficiary takes a tax-free distribution from a Coverdell ESA, as long as the same expenses are not used for both benefits.
- If the distribution exceeds qualified education expenses, a portion will be taxable to the beneficiary and will usually be subject to an additional 10% tax. Exceptions to the additional 10% tax include the death or disability of the beneficiary or if the beneficiary receives a qualified scholarship.

For more information, see [Topic No. 310 – Coverdell Education Savings Accounts](#).

Scholarships and Fellowships

A scholarship is generally an amount paid or allowed to, or for the benefit of, a student at an educational institution to aid in the pursuit of studies. The student may be either an undergraduate or a graduate. A fellowship is generally an amount paid for the benefit of an individual to aid in the pursuit of study or research. Generally, whether the amount is tax free or taxable depends on the expense paid with the amount and whether you are a degree candidate.

A scholarship or fellowship is tax free only if you meet the following conditions:

- You are a candidate for a degree at an eligible educational institution.
- You use the scholarship or fellowship to pay qualified education expenses.

Qualified education expenses

For purposes of tax-free scholarships and fellowships, these are expenses for:

- Tuition and fees required to enroll at or attend an eligible educational institution.
- Course-related expenses, such as fees, books, supplies, and equipment that are required for the courses at the eligible educational institution. These items must be required of all students in your course of instruction.

However, in order for these to be qualified education expenses, the terms of the scholarship or fellowship can't require that it be used for other purposes, such as room and board, or specify that it can't be used for tuition or course-related expenses.

Expenses that don't qualify

Qualified education expenses do not include the cost of:

- Room and board
- Travel
- Research
- Clerical help
- Equipment and other expenses that are not required for enrollment in or attendance at an eligible educational institution.

This is true even if the fee must be paid to the institution as a condition of enrollment or attendance. Scholarship or fellowship amounts used to pay these costs are taxable.

Exclusions from Income

You may exclude certain educational assistance benefits from your income. That means that you won't have to pay any tax on them. However, it also means that you can't use any of the tax-free education expenses as the basis for any other deduction or credit, including the lifetime learning credit.

⊖ Employer-provided educational assistance

If you receive educational assistance benefits from your employer under an educational assistance program, you can exclude up to \$5,250 of those benefits each year. This means your employer should not include the benefits with your wages, tips, and other compensation shown in box 1 of your Form W-2.

⊖ Educational assistance program

To qualify as an educational assistance program, the plan must be written and must meet certain other requirements. Your employer can tell you whether there is a qualified program where you work.

⊖ Educational assistance benefits

Tax-free educational assistance benefits include payments for tuition, fees and similar expenses, books, supplies, and equipment. The payments may be for either undergraduate- or graduate-level courses. The payments do not have to be for work-related courses. Educational assistance benefits do not include payments for the following items.

- Meals, lodging, or transportation.
- Tools or supplies (other than textbooks) that you can keep after completing the course of instruction.
- Courses involving sports, games, or hobbies unless they:
 - Have a reasonable relationship to the business of your employer,
 - or

- Are required as part of a degree program.

Benefits over \$5,250

If your employer pays more than \$5,250 for educational benefits for you during the year, you must generally pay tax on the amount over \$5,250. Your employer should include in your wages (Form W-2, box 1) the amount that you must include in income.

Working condition fringe benefit

However, if the benefits over \$5,250 also qualify as a working condition fringe benefit, your employer does not have to include them in your wages. A working condition fringe benefit is a benefit which, had you paid for it, you could deduct as an employee business expense. For more information on working condition fringe benefits, see Working Condition Benefits in chapter 2 of Publication 15-B, Employer's Tax Guide to Fringe Benefits.

Educator expense deduction

In 2023, educators can deduct up to \$300 (\$600 if married filing jointly and both spouses are eligible educators, but not more than \$300 each) of unreimbursed business expenses. The educator expense deduction, claimed on either Form 1040 Line 23 or Form 1040A Line 16, is available even if an educator doesn't itemize their deductions. To do so, the taxpayer must be a kindergarten through grade 12 teacher, instructor, counselor, principal or aide for at least 900 hours a school year in a school that provides elementary or secondary education as determined under state law.

Those who qualify can deduct costs like books, supplies, computer equipment and software, classroom equipment and supplementary materials used in the classroom. Expenses for participation in professional development courses are also deductible. Athletic supplies qualify if used for courses in health or physical education.

For additional IRS resources see our tax topic on [Educator Expense Deduction](#).

Additional Information

News releases

- IR-2023-150, [New school year reminder to educators; maximum educator expense deduction is \\$300 in 2023](#)
- IR-2022-34, [IRS updates FAQs for Higher Education Emergency Grants](#)

Tax tips

- Tax Tip 2022-123, [College students should study up on these two tax credits](#)
- Tax Tip 2022-38, [Two tax credits that can help cover the cost of higher education](#)

Related items

- [529 Plans: Questions and Answers](#)
- [Tax Benefit for Disability: Section 529A ABLE Accounts](#)
- [Education Credits](#)

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