

Education Tax Incentives Comparison Chart (2024)						
	American Opportunity Credit	Lifetime Learning Credit	Savings Bond Interest Exclusion	Student Loan Interest Deduction	Qualified Tuition Program (QTP)	Education Savings Account (ESA)
IRC Sec.	25A	25A	135	221	529	530
Tax Benefit	Tax credit—40% refundable; ¹ 60% nonrefundable.	Tax credit—nonrefundable.	Tax-free interest.	Above-the-line deduction.	Tax-free earnings (savings plan) or tax-free education credits (prepaid plan).	Tax-free earnings.
2024 Annual Limits	Credit up to \$2,500 per student (100% of first \$2,000 of expenses and 25% of next \$2,000).	Credit up to \$2,000 per return (20% of up to \$10,000 of expenses).	Amount of qualifying expenses.	Deduction of up to \$2,500 of interest paid on education loan.	Nondeductible contributions limited to amount necessary to cover qualified expenses.	\$2,000 nondeductible contribution per child under age 18 and any age special-needs child.
Qualified Education Expenses (QEE) ²	Tuition and fees; books, supplies, and equipment. ³	Tuition and fees; books, supplies, and equipment. ⁴	Tuition and fees; contributions to QTPs and ESAs.	Tuition and fees; books, supplies, and equipment; room and board, transportation, other necessary expenses.	Tuition and fees; books, supplies, and equipment; ³ computer and internet service; room and board if at least half-time attendance; expenses for participation in a registered apprenticeship program; and principal and interest payments on qualified education loans (up to a cumulative \$10,000) ⁵ .	Tuition and fees; books, supplies, and equipment; ³ room and board if at least half-time attendance; contributions to QTP; computer and internet service (K-12 only).
QEE Must Be For	Taxpayer, spouse, or dependent.	Taxpayer, spouse, or dependent.	Taxpayer, spouse, or dependent.	Taxpayer, spouse, or dependent.	Account beneficiary.	Account beneficiary.
Qualifying Education	First four years of undergraduate.	Undergraduate and graduate.	Undergraduate and graduate.	Undergraduate and graduate.	K-12 (\$10k annual limit), undergraduate and graduate.	K-12, undergraduate and graduate.
Other Rules and Requirements	Must be enrolled at least half-time in a degree program; parents can shift credit to student by not claiming student as a dependent.	Available for unlimited number of years for both degree and non-degree programs; parents can shift credit to student by not claiming student as a dependent.	Applies only to qualified Series EE bonds issued after 1989 or Series I bonds; bond owner must be at least 24 years old when bond issued.	Loan must be incurred solely to pay qualified education expenses of student enrolled at least half-time in a degree program. Payer must be legally obligated to repay debt.	Account owner can change beneficiary or reclaim funds; can elect to spread gift over five years; some states allow deduction to residents; beneficiary can be anyone.	Contributions must be made by the original return due date; may also contribute to QTP; mandatory distributions at age 30; beneficiary can be anyone.
2024 Modified AGI Phase-Out						
MFJ.....	\$ 160,000 – 180,000	\$ 160,000 – 180,000	\$ 145,200 – 175,200	\$ 165,000 – 195,000	N/A	\$ 190,000 – 220,000
Single, HOH, QSS ⁶	80,000 – 90,000	80,000 – 90,000	96,800 – 111,800	80,000 – 95,000		95,000 – 110,000
MFS.....	Do Not Qualify	Do Not Qualify	Do Not Qualify	Do Not Qualify		95,000 – 110,000

¹ *Exception:* Not refundable for certain children under age 24.

² Qualifying educational expenses must be reduced by any tax-free scholarships and grants. The same educational expenses cannot be used for figuring more than one benefit.

³ Must be required for enrollment or attendance at an eligible educational institution.

⁴ Must be paid to the eligible educational institution as a condition of the student's enrollment or attendance at the institution.

⁵ The deduction for student loan interest is not available for any Section 529 distributions used to pay such interest.

⁶ For savings bond interest exclusion, QSS is subject to the same phase-out range as MFJ.

Qualified Business Income (QBI) Deduction

QBI Deduction Trades and Businesses

Qualified Trade or Business	Specified Service Trade or Business (SSTB) ¹
Any trade or business other than:	A business that involves the performance of services in the fields of:
1) The business of performing services as an employee and 2) A SSTB (see next column), except for engineering and architecture services.	<ul style="list-style-type: none"> • Health; • Law; • Accounting; • Actuarial science; • Performing arts; • Consulting; • Athletics; • Financial services; • Brokerage services; • Investing and investment management; and • Trading or dealing in securities, partnership interests, or commodities.
Note: Engineering and architecture services are excluded from the definition of a SSTB so they are treated as qualified trades or businesses [IRC Sec. 199A(d)(2)(A)]. Services within the fields of architecture and engineering are not treated as consulting services [Reg. 1.199A-5(b)(2)(vii)].	Plus a business where the principal asset is the reputation or skill of one or more of its owners or employees.

¹ See the table Specified Service Trades or Businesses (SSTBs) on Page 6-23 for definitions of each SSTB.

Children Subject to the Kiddie Tax Rules¹

Age at year-end ²	Rules apply if:
< 18	Always apply.
18	Child's earned income ≤ 50% of his support. ³
19-23	Child is a full-time student and earned income ≤ 50% of his support. ³
> 23	Never apply.

¹ *Exception:* The kiddie tax rules do not apply if child (a) is married and files a joint return or (b) does not have at least one living parent at year-end.

² For 2024, the age of a child with a January 1 birthday is determined as of January 1, 2025.

³ Support includes amounts spent for the child's food, lodging, clothing, education, medical and dental care, recreation, transportation, and similar necessities. A scholarship a child receives is not considered support if he is a full-time student.

QBI Deduction—Taxable Income Thresholds (2024)

Taxable income before QBI deduction		Qualified trade or business	Specified service trade or business
Single, HOH, MFS	MFJ		
\$0–191,950	\$0–383,900	20% deduction ¹	20% deduction ¹
\$191,951–241,950	\$383,901–483,900	Wage/investment limit phases in	Wage/investment limit and SSTB limit phase in
Over \$241,950	Over \$483,900	Subject to wage/investment limit	No deduction

¹ The 20% deduction is limited to 20% of taxable income (excluding net capital gain).