



### 2010 Key Numbers: Education Planning

Winter 2010

Planning for the payment of education expenses involves a myriad of issues, from the different kinds of plans and their contribution limitations to the annual gift tax exclusion.

Education Planning	2008	2009	2010
<b>Coverdell education savings accounts (formerly known as education IRAs):</b>			
*Annual contribution limit	\$2,000	\$2,000	\$2,000
<b>*MAGI phaseout range for Coverdell education savings accounts</b>			
Single--phaseout threshold amount	\$95,000	\$95,000	\$95,000
Single--completed phaseout amount after	\$110,000	\$110,000	\$110,000
Married filing jointly--phaseout threshold amount	\$190,000	\$190,000	\$190,000
Married filing jointly--completed phaseout threshold amount	\$220,000	\$220,000	\$220,000
<b>Deduction for qualified higher education expenses</b>			
*Maximum deduction	\$4,000	\$4,000	N/A
<b>*MAGI maximum for full \$4,000 deduction</b>			
Single	\$65,000	\$65,000	N/A
Married filing jointly	\$130,000	\$130,000	N/A
*Reduced deduction available	\$2,000	\$2,000	N/A
<b>*MAGI range for \$2,000 deduction</b>			
Single--MAGI greater than this amount:	\$65,000	\$65,000	N/A
Single--MAGI does not exceed this amount:	\$80,000	\$80,000	N/A
Married filing jointly--MAGI greater than this amount:	\$130,000	\$130,000	N/A
Married filing jointly--MAGI does not exceed this amount:	\$160,000	\$160,000	N/A
<b>Education loans--interest deduction</b>			
*Maximum deduction for interest paid on qualified education loans	\$2,500	\$2,500	\$2,500
<b>*MAGI phaseout range</b>			
Single--phaseout threshold amount	\$55,000	\$60,000	\$60,000
Single--completed phaseout amount after	\$70,000	\$75,000	\$75,000
Married filing jointly--phaseout threshold amount	\$115,000	\$120,000	\$120,000
Married filing jointly--completed phaseout threshold amount	\$145,000	\$150,000	\$150,000
<b>Gift tax exclusion</b>			
Annual gift tax exclusion-- <i>single individual</i>	\$12,000	\$13,000	\$13,000
Annual gift tax exclusion-- <i>joint gift</i>	\$24,000	\$26,000	\$26,000
Lump-sum gift to 529 plan-- <i>single individual</i>	\$60,000	\$65,000	\$65,000
Lump-sum gift to 529 plan-- <i>joint gift</i>	\$120,000	\$130,000	\$130,000
<b>Hope<sup>1</sup> and Lifetime Learning credits</b>			
<b>*Maximum Lifetime Learning credit</b>			
Maximum Lifetime Learning--Midwestern disaster area	\$4,000	\$4,000	N/A
<b>*Maximum Hope credit</b>			
Maximum Hope credit--Midwestern disaster area	\$3,600	\$3,600	N/A
<b>*MAGI phaseout range for Lifetime Learning Credit</b>			
Single--phaseout threshold amount	\$48,000	\$50,000	\$50,000

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Your Way to Prosperity

Single--completed phaseout amount after	\$58,000	\$60,000	\$60,000
Married filing jointly--phaseout threshold amount	\$96,000	\$100,000	\$100,000
Married filing jointly--completed phaseout threshold amount	\$116,000	\$120,000	\$120,000
<b>*MAGI phaseout range for Hope credit</b>			
Single--phaseout threshold amount	\$48,000	\$80,000	\$80,000
Single--completed phaseout amount after	\$58,000	\$90,000	\$90,000
Married filing jointly--phaseout threshold amount	\$96,000	\$160,000	\$160,000
Married filing jointly--completed phaseout threshold amount	\$116,000	\$180,000	\$180,000
<b>Kiddie tax</b>			
Children <sup>2</sup> pay federal income tax at their parents' rate on any investment income over...	\$1,800	\$1,900	\$1,900
<b>U.S. savings bonds--interest exclusion for higher education expenses:</b>			
<b>*Joint returns</b>			
Phaseout threshold for joint returns	\$100,650	\$104,900	\$105,100
Completed phaseout amount after	\$130,650	\$134,900	\$135,100
<b>*Other returns</b>			
Phaseout threshold for other returns	\$67,100	\$69,950	\$70,100
Completed phaseout amount after	\$82,100	\$84,950	\$85,100

<sup>1</sup> For 2009 and 2010, the American Recovery and Reinvestment Act of 2009 modifies the Hope credit and renames it the American Opportunity tax credit.

<sup>2</sup> For tax years beginning after May 25, 2007, the kiddie tax rules apply to children under age 19 and full-time students over age 18 but under age 24 unless an exception applies.