

## 2011 Income Restrictions in College Finance

Whether Saving for College or Paying for College, parents and students must be aware that there are many education related tax benefits that are limited to people whose incomes are below a certain threshold. In most cases, the threshold is based on “modified Adjusted Gross Income” or mAGI. Unfortunately, the definition of mAGI is not consistent in the tax code.

The table below describes the education related tax benefits that are mAGI restricted. Please review it carefully before making a decision about how to save for college, or whether to take an education tax break. Please refer to IRS Publication 970 for specific details, such as allowable educational expenses and the tax-break specific definition of mAGI.

The table below indicates two mAGI’s for each tax break. These figures are the ends of “phase-out ranges”. Taxpayers with mAGI’s below the lower of the two figures may take 100% of the tax break. Those with mAGI’s above the higher of the two figures may not take the tax break. Those with mAGI’s within the phase-out range may take a partial tax break.

**Note:** This document was prepared from a variety of sources. We were unable to verify all of these figures with the IRS. While College Coach believes these figures to be accurate, we encourage you to confirm them with the IRS before relying on them.

Tax Break	Phase-Out mAGI Range
<b>Savings Bond Interest</b> may be tax free when used to pay for dependent’s tuition and fees	Married filing jointly: \$106,500 - \$136,650 Single and Head of Household: \$71,100 - \$86,100
Taxpayer is allowed to <b>contribute</b> to a <b>Roth IRA</b>	Married filing jointly: \$169,000 - \$179,000 Single and Head of Household: \$107,000 - \$122,000
Taxpayer is allowed to <b>contribute</b> to a <b>Coverdell ESA</b>	Married filing jointly: \$190,000 - \$220,000 Single and Head of Household: \$95,000 - \$110,000
Taxpayer may claim the <b>American Opportunity Tax Credit</b> (Part of Feb 2009 Stimulus)	Married filing jointly: \$160,000 - \$180,000 Single/Head of Household: \$80,000 - \$90,000
Taxpayer may claim the <b>Lifetime Learning Credits</b>	Married filing jointly: \$102,000 - \$122,000 Single and Head of Household: \$51,000 - \$61,000
Taxpayer may take the <b>Student Loan Interest Deduction</b>	Married filing jointly: \$120,000 - \$150,000 Single and Head of Household: \$60,000 - \$75,000
Taxpayer may take the <b>Tuition and Fees Deduction</b>	Married filing jointly: Cutoff is \$160,000 Single and Head of Household: Cutoff is \$80,000