



## Education Tax Incentives

The IRS can help you put some of the cost of medical school (or other educational programs) back in your pocket. Qualifying taxpayers can benefit from tax credits and tax deductions, and plenty of people do – to the tune of billions of dollars every year. Highlighted below are three of the most popular programs, each of which is available to medical students.

### Student Loan Interest Deduction

The student loan interest deduction allows qualified individuals to deduct **up to \$2,500** of interest expense each year from their taxable income.

- You may be eligible for the full credit if your modified adjusted gross income (MAGI) is less than \$55,000 if single (or \$115,000 if married filing jointly).
- The amount of your deduction is phased out if your MAGI is between \$55,000 and \$70,000 if single (or between \$115,000 and \$145,000 if filing jointly).

For further details and qualifications, refer to the [Student Loan Interest Deduction](#) section of IRS publication 970.

### Tuition and Fees Deduction

The tuition and fees deduction can reduce the amount of your income subject to tax by **up to \$4,000**.

- You may be able to deduct up to \$4,000 if your MAGI is not more than \$65,000 if single (or \$130,000 if married, filing jointly).

- You may be able to deduct up to \$2,000 if your MAGI is more than \$65,000 but not more than \$80,000 if single (or more than \$130,000 but not more than \$160,000 if married filing jointly).

For further details and qualifications, refer to the [Tuition and Fees Deduction](#) section of IRS publication 970.

### Lifetime Learning Tax Credit

The Lifetime Learning Tax Credit allows you to reduce your tax bill on a dollar-for-dollar basis, **up to \$2,000** per year (up to 20% of the first \$10,000 in expenses). (New this year: Students in [Midwestern disaster areas](#) may qualify for up to \$4,000.)

- You may be eligible for the full credit if your adjusted gross income is not more than \$48,000, or \$96,000 if married filing jointly.
- The amount of your lifetime learning credit is gradually phased out if your adjusted gross income is between \$48,000 and \$58,000 if single (or between \$96,000 and \$116,000 if you file a joint return).

For further details and qualifications, refer to the [Lifetime Learning Tax Credit](#) section of IRS publication 970.

### What's the Difference Between a Tax Credit and a Tax Deduction?

A tax credit lowers your tax bill dollar for dollar, while a deduction reduces your taxable income. Consider, for example, an individual in the 28% tax bracket: A \$1,000 tax credit will reduce his tax liability by the full \$1,000; a \$1,000 deduction will reduce his taxable income by that amount, effectively shaving \$280 off his tax bill.

### Tax Considerations for Loan Forgiveness

The two repayment programs medical students/residents are most likely to consider which have tax considerations are Income Based Repayment (IBR) and Public Service Loan Forgiveness (PSLF).

- Loan amounts forgiven at the end of IBR **are** taxable.
- Loan amounts forgiven at the end of PSLF **are not** taxable.

To determine if the portion of your forgiven loan is taxable as income, please contact your lender.

### No Double Benefit Allowed

You cannot claim a lifetime learning credit in the same year that you are claiming a tuition and fees deduction.

*This material is provided for general information only. Please see your tax advisor for information on other tax-related educational benefits and for information regarding your specific situation.*