

Series EE & I Savings Bonds

U.S. Series EE savings bonds issued after 1989 or Series I saving bonds are another tax-advantaged way to save for college.

Advantages

Backed by the full faith and credit of the United States government, the interest from these bonds is tax free if used for qualified higher education expenses. Also, interest on Series EE and I savings bonds is usually exempt from state and local taxes.

Disadvantages

The full interest exclusion is only available to married couples filing jointly with modified adjusted gross income of less than \$98,400, and for single filers with modified adjusted gross income of less than \$65,600 in 2007. The interest exclusion is phased out if your modified adjusted gross income is between \$98,400 and \$128,400 for joint filers, and between \$65,600 and \$80,600 for single taxpayers. Regardless of your income, married couples filing separately cannot take advantage of this savings bond program.