

2001



Department of the Treasury
Internal Revenue Service

Instructions for Forms 1098-E and 1098-T

Section references are to the Internal Revenue Code.

What's New for 2001?

The Optional Specific Instructions for Forms 1098-E and 1098-T were developed to reflect reporting rules described in Proposed Regulations sections 1.6050S-1 and 1.6050S-2. Issuers may use these rules in preparing Forms 1098-E and 1098-T for 2001. However, issuers of Forms 1098-E and 1098-T are required to comply with the specific instructions for 2001. See Notice 2000-62, 2000-51 I.R.B. 587.

Form 1098-E. Box 2 was added to indicate if box 1 includes loan origination fees and/or capitalized interest. However, lenders are not required to report loan origination fees and/or capitalized interest for loans made before January 1, 2002. See Proposed Regulations section 1.6050S-2(e)(1).

Form 1098-T. Proposed Regulations section 1.6050S-1 describes rules for reporting qualified tuition and related expenses, reimbursements or refunds of qualified tuition and related expenses, and scholarships or grants. Therefore, box 1, "Qualified tuition and related expenses," box 2, "Reimbursements or refunds," and box 3, "Scholarships or grants" were added. Boxes 3 and 4 were renumbered 4 and 5. However, eligible educational institutions are not required to, but may, report in boxes 1 through 3 for 2001.

Instructions. Two sets of instructions are provided for Forms 1098-E and 1098-T. If you choose to comply with the reporting rules of Proposed Regulations sections 1.6050S-1 and 2, follow the directions under **Optional Specific Instructions for Form 1098-E** and **Optional Specific Instructions for Form 1098-T**. Guidelines for issuing Forms 1098-E and 1098-T under the extended reporting requirements are given under **Specific Instructions for Form 1098-E** and **Specific Instructions for Form 1098-T**.

Magnetic media/electronic reporting. For 2001, you are not required to, but you may, file Forms 1098-E or 1098-T magnetically or electronically.

Penalties. No penalties will be imposed for failure to file or failure to furnish correct Forms 1098-E or 1098-T if you made a good faith effort to file and furnish them.

Items To Note

General instructions. In addition to these specific instructions, you should also use the **2001 General Instructions for Forms 1099, 1098, 5498, and W-2G**. Those general instructions include information about:

- Magnetic media and electronic reporting requirements
- Penalties
- When and where to file
- Taxpayer identification numbers
- Statements to recipients
- Corrected and void returns
- Other general topics

You can get the general instructions from the IRS Web Site at www.irs.gov or by calling 1-800-TAX-FORM (1-800-829-3676).

Form W-9S. You may use **Form W-9S**, Request for Student's or Borrower's Social Security Number and Certification, to obtain the student's or borrower's name, address, social security number, and student loan certification to be used when filing Form 1098-E or 1098-T. Use of Form W-9S is optional; you may

collect the information using your own forms, such as financial aid applications, and procedures. You may collect the student's or borrower's information on paper or electronically.

Electronic submission of Form W-9S. An educational institution, insurer, or lender may establish a system for students and borrowers to submit Form W-9S electronically, including by fax. Generally, the electronic system must:

1. Ensure the information received is the information sent and document all occasions of user access that result in the submission.
2. Make reasonably certain the person accessing the system and submitting the form is the person identified on Form W-9S.
3. Provide you with the same information as the paper Form W-9S.
4. Be able to supply a hard copy of the electronic Form W-9S if the Internal Revenue Service requests it.

Also, if an electronic Form W-9S is used to obtain the borrower's certification that all the loan proceeds are to pay solely for qualified higher education expenses, your electronic system must require, as the final entry in the submission, an electronic signature by the borrower whose name is on Form W-9S that authenticates and verifies the submission. See Announcement 98-27, 1998-1 C.B. 865.

Optional Specific Instructions for Form 1098-E

File **Form 1098-E**, Student Loan Interest Statement, if you receive student loan interest of \$600 or more from an individual during the year in the course of your trade or business. For 2001, report interest only on covered student loans during the 60-month reporting period explained on page ET-2.

The \$600 threshold applies to each borrower regardless of the number of student loans obtained by that borrower. However, you may file a separate Form 1098-E for each student loan of the borrower, or you may file one Form 1098-E for the interest from all student loans of the borrower.

Who must file. File Form 1098-E if you are a financial institution, governmental unit (or any of its subsidiary agencies), educational institution, or any other person who receives student loan interest of \$600 or more from an individual during the year in the course of your trade or business. You may be the lender, the holder of the loan, or the loan servicer.

If you contract with another person to receive or collect payments on your behalf, the other person must file Form 1098-E. However, if you do not provide the other person with the information necessary to comply with the reporting requirements of Form 1098-E, the other person must request the necessary information. If you do not provide the other person with the necessary information upon request, you must satisfy the reporting requirements of Form 1098-E.

Covered student loan. To be reportable, a student loan must be either:

- Subsidized, guaranteed, financed, or otherwise treated as a student loan under a program of the Federal, state, or local government, or of an eligible educational institution or
- Certified by the borrower as a student loan incurred solely to pay qualified higher education expenses. You may use Form W-9S to obtain the certification.

Interest. Interest includes stated interest, loan origination fees (other than fees for services), and capitalized interest as described in Proposed Regulations section 1.221-1(h)(2). However, you are not required to report loan origination fees and/or capitalized interest for loans made before January 1, 2002.

60-month reporting period (covered period). The 60-month reporting period generally begins on the date the covered student loan first enters repayment status and ends 60 months later. However, if you know, or have reason to know, of any periods of deferment or forbearance during which the 60-month period is suspended, the 60-month reporting period is extended by the period of the deferment or forbearance. The date on which the qualified student loan enters repayment status is determined under the terms of the loan agreement or, in the case of a loan issued or guaranteed under a federal post-secondary student loan program, under federal regulations. The 60-month period ends the last day of the month that is 60 months after the period begins.

For refinanced loans and consolidated and collapsed loans, the rules of Proposed Regulations section 1.221-1(h)(1), relating to the date on which the 60-month period begins, apply.

Rules for reporting on loans made before January 1, 1998. For covered student loans made before January 1, 1998, the 60-month period begins on the date the loan entered repayment status, unless you do not know, and do not have reason to know, the date on which the loan entered repayment status, then, for reporting purposes only, the 60-month period begins on January 1, 1998.

A **defaulted loan** is one for which required interest and principal payments were not made when due, you have declared the loan in default, and if applicable, you have sought recourse against the ultimate loan guarantor.

For defaulted loans made before January 1, 1998, if you do not know and do not have reason to know, the date on which the loan entered repayment status, then, for reporting purposes only, the 60-month period begins on the **earlier** of the date the loan went into default or January 1, 1998.

If you do not know, and do not have reason to know, either the date the loan entered **repayment status or the default date**, then, for reporting purposes only, the 60-month period begins on January 1, 1998.

Revolving accounts. Report interest paid on revolving accounts, such as credit card accounts, only if the borrower certifies that all the loan proceeds are **solely** to pay for qualified higher education expenses. You do not have to verify the borrower's actual use of the funds. **Do not** report interest on mixed use loans.

Loans under qualified plans. **Do not** report interest on loans made under a qualified employer plan, as defined in section 72(p)(4), or loans under a contract purchased under a qualified employer plan within the meaning of section 72(p)(5).

Statements to borrowers. If you are required to file Form 1098-E, you must provide a statement to the borrower. For more information about the requirements to furnish a statement to the borrower, see part **H** in the **General Instructions for Forms 1099, 1098, 5498, and W-2G**.

Recipient's/lender's name, address, and telephone number box. Enter the name, address, and telephone number of the filer of Form 1098-E. Use this same name, address, and telephone number on **Form 1096**, Annual Summary and Transmittal of U.S. Information Returns.

Borrower's name and address box. Enter the name and address of the person carried on your books and records as the principal borrower.

Box 1. Student Loan Interest Received by Lender

Enter the interest you received on a student loan(s) during the calendar year. You are not required to report loan origination fees and/or capitalized interest for loans made before January 1, 2002, however, you may include loan origination fees and/or capitalized interest in box 1 for 2001.

Box 2. Check Box

Check this box if the loan origination fees and/or capitalized interest are reported in box 1.

Optional Specific Instructions for Form 1098-T

File **Form 1098-T**, Tuition Payments Statement, if you are an eligible educational institution that received qualified tuition and related expenses or made reimbursements or refunds of such tuition and expenses in 2001. File Form 1098-T for each student for whom you received the tuition or for whom you made the reimbursement or refund. File only one Form 1098-T for each student even if you received more than one tuition or other payment or made more than one reimbursement during the year.

Exceptions. You do not have to file Form 1098-T or furnish a statement for students enrolled during the year only in courses for which the student receives no academic credit. Also, you do not have to file Form 1098-T or furnish a statement for nonresident alien students, unless requested by the student.

Who must file. For 2001, you must file Form 1098-T if you are an eligible educational institution or insurer. An eligible educational institution or insurer that is a governmental unit, or an agency or instrumentality of a governmental unit, is subject to the reporting requirements of Form 1098-T and a designated officer or employee of the governmental entity must satisfy the reporting requirements of Form 1098-T.

If an eligible educational institution contracts with another person to receive or collect payments of qualified tuition and related expenses on its behalf, the other person must file Form 1098-T. However, if the institution does not provide the other person with the information necessary to comply with the reporting requirements of Form 1098-T, the other person must request the necessary information to comply with the reporting requirements from the institution. If the institution does not provide the other person with the necessary information upon request, the institution must satisfy the reporting requirements of Form 1098-T.

For 2001, if you are **not** an eligible educational institution, you are not required to file. However, in future years, you may be required to file Form 1098-T if you are also an insurer engaged in the trade or business of making payments under an insurance arrangement.

Eligible educational institution. An eligible educational institution is a college, university, vocational school, or other post-secondary educational institution that is described in section 481 of the Higher Education Act of 1965; and that is eligible to participate in the Department of Education's student aid programs. This includes most accredited public, nonprofit, and private post-secondary institutions.

Qualified tuition and related expenses. Qualified tuition and related expenses are tuition and fees a student must pay to be enrolled at or attend an eligible educational institution. The following are **not** qualified tuition and related expenses:

- Amounts paid for any course or other education involving sports, games, or hobbies unless the course or other education is part of the student's degree program or is taken to acquire or improve job skills.
- Charges and fees for room, board, insurance, transportation, and similar personal, living, or family expenses.

Academic credit. Academic credit is credit awarded by an eligible educational institution for the completion of coursework leading to a post-secondary degree, certificate, or other recognized post-secondary educational credential.

Example. Student A, a medical doctor, takes a course at University X's medical school. Student A takes the course to fulfill State Y's licensing requirement that medical doctors attend continuing medical education courses each year. Student A is not enrolled in a degree program at University X and takes the medical course through University X's continuing professional education program. University X does not award Student A credit toward a post-secondary degree on an academic transcript for

the completion of the course but gives Student A a certificate of attendance upon completion. University X is not required to file Form 1098-T for the course taken by Student A.

Additional information. For more information about reporting on Form 1098-T, see Proposed Regulations section 1.6050S-1.

Statements to students. If you are required to file Form 1098-T, you must provide a statement to the student. For more information about the requirements to furnish a statement to each student, see part **H** in the **General Instructions for Forms 1099, 1098, 5498, and W-2G**.

Student's address. In the student's address box of Form 1098-T, enter the student's permanent address. That is, enter the student's home or other long-term address where he or she can receive forwarded mail. You may use a temporary address only if you do not know the permanent address.

Box 1. Qualified Tuition and Related Expenses

You may enter the total amount of payments of qualified tuition and related expenses from any source that you received during the calendar year. Do not include scholarships or grants that must be applied to expenses other than qualified tuition and related expenses.

Box 2. Reimbursements or Refunds

You may enter the total amount of reimbursements or refunds of qualified tuition and related expenses that you made for the student during the calendar year.

Box 3. Scholarships or Grants

You may enter the total amount of any scholarships or grants that you processed during the calendar year for the payment of the student's costs of attendance.

Box 4. Check if at Least Half-Time Student

Check this box if the student was at least a half-time student during any academic period that began in 2001. A half-time student is a student enrolled for at least half the full-time academic workload for the course of study the student is pursuing as determined by the standards of your institution. Your institution's standard for a half-time student workload must equal or exceed the standards established by the Department of Education under the Higher Education Act and set forth in 34 C.F.R. section 674.2(b).

Box 5. Check if a Graduate Student

Check this box if the student was a graduate student. The student is a graduate student if the student was enrolled in a program or programs leading to a graduate-level degree, graduate-level certificate, or other recognized graduate-level educational credential.

Specific Instructions for Form 1098-E

File **Form 1098-E**, Student Loan Interest Statement, if you receive student loan interest of \$600 or more from an individual during the year in the course of your trade or business. For 2001, report interest only on "covered" student loans that have a "covered period" ending during or after 2001.

The \$600 threshold applies to each borrower regardless of the number of student loans obtained by that borrower. However, you may file a separate Form 1098-E for each student loan of the borrower, or you may file one Form 1098-E for the interest from all student loans of the borrower.

Who must file. File Form 1098-E if you are a financial institution, governmental unit (or any of its subsidiary agencies), educational institution, or any other person who receives student loan interest of \$600 or more from an individual during the year in the course of your trade or business.

If more than one person has a connection with the loan, only the first person to receive the interest payment must file Form 1098-E. For example, a loan service or collection agent receiving payments on behalf of the lender must file.

Covered student loan. To be reportable, a student loan must have a covered period (defined below) ending during or after 2001 and must be either:

- Subsidized, guaranteed, financed, or otherwise treated as a student loan under a program of the Federal, state, or local government, or of a post-secondary educational institution or
- Certified by the borrower as a student loan solely. You may use Form W-9S to obtain the certification.

Covered period. A covered period is generally the first 60 months after the loan enters repayment status. For loans other than consolidated, collapsed, or defaulted loans, the covered period begins on:

1. The date the loan went into repayment status or
2. January 1, 1998, if you do not know or have reason to know the date in 1 above.

A **consolidated loan** is a single loan refinancing more than one student loan. A **collapsed loan** is a set of loans of a single payer treated as a single loan for the loan serving purposes. For consolidated and collapsed loans, the covered period begins on:

1. The most recent date any of the loans subject to consolidation or collapse went into repayment status or
2. January 1, 1998, if you do not know or have reason to know the date in 1 above.

A **defaulted loan** is one for which required interest and principal payments were not made when due, you have declared the loan in default, and if applicable, you have sought recourse against the ultimate loan guarantor. For defaulted loans, the covered period begins on:

1. The date the loan went into repayment status,
2. The date the loan went into default if you do not know or have reason to know the date in 1 above, or
3. January 1, 1998, if you do not know or have reason to know the date in 1 or 2 above.

The covered period ends the last day of the month that is 60 months after the period begins. However, the covered period is extended by the number of months the loan was subject to any grace period, deferment, or forbearance. After the 60 months ends, stop reporting interest on that student loan if you know that the period has ended.

Revolving accounts. Report interest paid on revolving accounts, such as credit card accounts, only if the borrower certifies that all the loan proceeds are **solely** to pay for qualified higher education expenses. You do not have to verify the borrower's actual use of the funds. **Do not** report interest on mixed use loans.

Loans under qualified plans. **Do not** report interest on loans made under a qualified employer plan, as defined in section 72(p)(4), or under a contract purchased under a qualified employer plan within the meaning of section 72(p)(5).

Mortgage loans. If you treated a loan as a mortgage before 1998 for purposes of reporting the interest on **Form 1098**, Mortgage Interest Statement, continue to report on Form 1098 even if the loan is used to pay for education expenses. For a loan made after 1997 that is secured by real property and made to acquire or improve real property, treat the loan as a mortgage and report the interest on Form 1098. For a loan made after 1997 that is secured by real property and certified by the borrower to be used solely for paying qualified higher education expenses, report the interest on Form 1098-E.

Additional information. For more information about reporting student loan interest, see Notice 98-7, 1998-1 C.B. 339; Notice 98-54, 1998-2 C.B. 643; and Notice 99-37, 1999-30 I.R.B. 124.

Statements to borrowers. If you are required to file Form 1098-E, you must provide a statement to the borrower. For more information about the requirements to furnish a statement to the borrower, see part **H** in the **General Instructions for Forms 1099, 1098, 5498, and W-2G**.

Recipient's/lender's name, address, and telephone number box. Enter the name, address, and telephone number of the filer of Form 1098-E. Use this same name and address on **Form 1096**, Annual Summary and Transmittal of U.S. Information Returns.

Borrower's name and address box. Enter the name and address of the borrower.

Box 1. Student loan interest received by lender

Enter the interest you received on a student loan(s) during the calendar year. You are not required to but you may include loan origination fees and/or capitalized interest in box 1. See **Interest** on page ET-2

Box 2. Check Box

Check this box if the loan origination fees and/or capitalized interest are reported in box 1.

Specific Instructions for Form 1098-T

File **Form 1098-T**, Tuition Payments Statement, if you are an eligible educational institution that received qualified tuition and related expenses or made reimbursements or refunds of such tuition and expenses in 2001. File Form 1098-T for each student for whom you received the tuition or for whom you made the reimbursement or refund. File only one Form 1098-T for each student even if you received more than one tuition or other payment or made more than one reimbursement during the year.

Exceptions. You do not have to file Form 1098-T for students enrolled during the year only in courses for which the student receives no academic credit. Also, you do not have to file Form 1098-T or furnish a statement for nonresident alien students, unless requested by the student.

Who must file. For 2001, you must file Form 1098-T if you are an eligible educational institution that received qualified tuition and related expenses in 2001. If you reimburse or refund tuition or related expenses to a student during 2001 that equal or exceed payments of qualified tuition and related expenses you received on behalf of that student during 2001, you are not required to file Form 1098-T. In addition, you are not required to file for a student whose tuition and related expenses were entirely waived or entirely paid with scholarships.

For 2001, if you are **not** an eligible educational institution, you are not required to file. However, in future years, you may be required to file Form 1098-T if you are in a trade or business of making payments to individuals under an insurance arrangement as refunds or reimbursements (or similar amounts) of qualified tuition and related expenses.

Eligible educational institution. An eligible educational institution is a college, university, vocational school, or other post-secondary educational institution that is described in section 481 of the Higher Education Act of 1965 and that is eligible to participate in the Department of Education's student aid programs. This includes most accredited public, nonprofit, and private post-secondary institutions.

Qualified tuition and related expenses. Qualified tuition and related expenses are tuition and fees a student must pay to be enrolled at or attend an eligible educational institution. The following are **not** qualified tuition and related expenses.

1. Amounts paid for any course or other education involving sports, games, or hobbies unless the course or other education is part of the student's degree program or is taken to acquire or improve job skills.

2. Charges and fees for room, board, insurance, transportation, and similar personal, living, or family expenses.

Academic term. You must file Form 1098-T for each student who is enrolled in your institution for any academic term (e.g., semester, trimester, or quarter) beginning in 2001. Determine your enrollment for each term using one of the following dates:

- 30 days after the first day of the academic term,
- A date during the term when enrollment data must be collected for purposes of the Integrated Postsecondary Education Data System administered by the Department of Education, or
- A date during the term when you must report enrollment data to the state, to your governing board, or to some other external governing body.

Required for 2001. For 2001, you are required to report on the form only the entity information, whether the student was at least a half-time student (box 4), and whether the student was a graduate student (box 5). **No other information is required for 2001.** See **Box 4** and **Box 5** below. You are not required to but you may report the applicable amounts in boxes 1 through 3.

Additional information. For more information about reporting on Form 1098-T, see Notice 97-73, 1997-2 C.B. 335; Notice 98-46, 1998-2 C.B. 290; Notice 98-59, 1998-2 C.B. 689; Notice 99-37, 1999-2 C.B. 124; and Notice 2000-62, 2000-51 I.R.B. 587.

Statements to students. If you are required to file Form 1098-T, you must provide a statement to the student. For more information about the requirements to furnish a statement to each student, see part **H** in the **General Instructions for Forms 1099, 1098, 5498, and W-2G**.

Student's address. In the student's address box of Form 1098-T, enter the student's permanent address. That is, enter the student's home or other long-term address where he or she can receive forwarded mail. To increase the probability that the student will receive the Form 1098-T you mail, do not use a temporary address such as a dormitory or off-campus temporary housing, unless you are aware that the student still lives there.

Box 1. Qualified Tuition and Related Expenses

You may enter the total amount of payments of qualified tuition and related expenses from any source that you received during the calendar year. Do not include scholarships or grants that must be applied to expenses other than qualified tuition and related expenses.

Box 2. Reimbursements or Refunds

You may enter the total amount of reimbursements or refunds of qualified tuition and related expenses that you made for the student during the calendar year.

Box 3. Scholarships or Grants

You may enter the total amount of any scholarships or grants that you processed during the calendar year for the payment of the student's costs of attendance.

Box 4. Check if at Least Half-Time Student

Check this box if the student was at least a half-time student during any academic period that began in 2001. A half-time student is a student enrolled for at least half the full-time academic workload for the course of study the student is pursuing as determined by the standards of your institution. Your institution's standard for a half-time student workload must equal or exceed the standards established by the Department of Education under the Higher Education Act and set forth in 34 C.F.R. section 674.2(b).

Box 5. Check if a Graduate Student

Check this box if the student was a graduate student. The student is a graduate student if the student was enrolled in a program or programs leading to a graduate-level degree, graduate-level certificate, or other recognized graduate-level educational credential.