



Instructions for Forms 1098-E and 1098-T

Section references are to the Internal Revenue Code.

What's New for 2002

Form 1098-E. Final Regulations section 1.6050S-3 issued in April 2002 describes the reporting rules for student loan interest payments. Issuers may use these rules in preparing Form 1098-E for 2002. The reporting under the prior optional instructions and the final regulations is the same. Therefore, the optional specific instructions have been deleted.

The Economic Growth and Tax Relief Reconciliation Act of 2001 eliminated the 60-month limitation during which interest paid on a qualified education loan is deductible.

Box 2 is used to indicate that 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, 2004. See Regulations section 1.6050S-3(e)(1).

Form 1098-T. The **Optional Specific Instructions for Form 1098-T** were developed to reflect reporting rules described in new Proposed Regulations section 1.6050S-1 issued in April 2002. You may, but are not required to, use these rules in preparing Form 1098-T for 2002. If you choose to comply with the reporting rules of Proposed Regulations section 1.6050S-1, follow the **Optional Specific Instructions for Form 1098-T** on page ET-2.

Form 1098-T has been revised for 2002 under Proposed Regulations section 1.6050S-1 that describes rules for choosing to report either the net amount of payments received (box 1), or the net amount billed (box 2), for qualified tuition and related expenses during the calendar year. Adjustments made to payments received, or amounts billed, for qualified expenses that were reported for a prior year will be reported separately (box 3). Scholarships and grants will be reported (box 4) and adjustments made during the year to scholarships reported for a prior year are reported separately (box 5). If the amount reported in box 1 or 2 includes payments received, or amounts billed, for an academic period beginning in January through March of 2003, box 6 must be checked. An insurer may report reimbursements and refunds of qualified tuition and related expenses under an insurance contract (box 7). Boxes 4 and 5 are renumbered 8 and 9. If you choose not to follow the proposed regulations, you are required to comply with the **Specific Instructions for Form 1098-T** on page ET-3.

Electronic recipient statements. With the consent of a recipient, you may be able to furnish Copy B of the 2002 Forms 1098-E and 1098-T to that recipient electronically. See part **H** in the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G**.

Magnetic media/electronic reporting. For 2002, you are not required to, but you may, file Forms 1098-E or 1098-T magnetically or electronically.

Penalties. For 2002, 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 **2002 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 solely used to pay 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. The signature authenticates and verifies the submission. See Announcement 98-27, 1998-1 C.B. 865.

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.

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.

Qualified student loan. To be reportable for 2002, 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 a post-secondary 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.

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** used to pay 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).

Additional information. For more information about reporting student loan interest, see Final Regulations section 1.6050S-3; Notice 98-7, 1998-1 C.B. 339; Notice 98-54, 1998-2 C.B. 643; Notice 99-37, 1999-2 C.B. 124; and Notice 2000-62, 2000-2 C.B. 587.

Statements to borrowers. If you are required to file Form 1098-E, you must provide a statement, on paper or electronically, to the borrower. For more information about the requirements to furnish a statement to the borrower, see part **H** in the **2002 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. For loans made before January 1, 2004, you are not required to but you may include loan origination fees and/or capitalized interest in box 1 as described in Proposed Regulations section 1.221-1(h)(2).

Box 2. Checkbox

Check this box if 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. You must file for each student you enroll and for whom a reportable transaction is made (see boxes 1 through 5 of Form 1098-T).

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 no academic credit is offered;
- Nonresident alien students, unless requested by the student;
- Students whose qualified tuition and related expenses are entirely waived or paid entirely with scholarships; and
- Students whose qualified tuition and related expenses are covered by a formal billing arrangement between an institution and the student's employer.

Who must file. For 2002, you must file Form 1098-T if you are an eligible educational institution. An eligible educational institution that is a governmental unit, or an agency or instrumentality of a governmental unit, is subject to the

reporting requirements of Form 1098-T. A designated officer or employee of the governmental entity must satisfy the reporting requirements of Form 1098-T.

Eligible educational institutions may choose to report payments received, or amounts billed, for qualified tuition and related expenses. The institution must use the same reporting method for all calendar years unless the IRS grants permission to change the reporting method.

If another person receives or collects payments of qualified tuition and related expenses on your behalf, the other person must file Form 1098-T. However, if the other person does not possess the information necessary to comply with the reporting requirements of Form 1098-T, then you must satisfy the reporting requirements of Form 1098-T.

If you are an insurer engaged in a trade or business of making refunds or reimbursements of qualified tuition and related expenses, you are not required, but may choose, to file Form 1098-T for 2002.

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 course work 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.

Academic period. You must file Form 1098-T for each student who is enrolled in your institution for any academic period (e.g., semester, trimester, or quarter) beginning in 2002. Determine your enrollment for each period under your own rules or use one of the following dates:

- 30 days after the first day of the academic period,
- A date during the period 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 period when you must report enrollment data to the state, to your governing board, or to some other external governing body.

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, on paper or electronically, to the student. For more information about the requirements to furnish a statement to each student, see part **H** in the **2002 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. Payments Received for Qualified Tuition and Related Expenses

If you choose this method of reporting, enter the amount of payments received for qualified tuition and related expenses from any source during the calendar year. The amount reported is the total amount of payments received less any reimbursements or refunds made during the calendar year that relate to the payments received for the same calendar year.

Box 2. Amounts Billed for Qualified Tuition and Related Expenses

If you choose this method of reporting, enter the amounts billed during the calendar year for qualified tuition and related expenses. The amount reported is the total amount billed less any reductions in charges made during the calendar year that relate to the amounts billed for the same calendar year.

Box 3. Adjustments Made for a Prior Year

Payments received. Enter reimbursements or refunds of qualified tuition and related expenses made during the calendar year that relate to payments received that were reported for a prior year.

Amounts billed. Enter any reductions in charges made for qualified tuition and related expenses made during the calendar year that relate to amounts billed that were reported for a prior year.

Box 4. Scholarships or Grants

Enter the total amount of any scholarships or grants that you administered and processed during the calendar year for the payment of the student's costs of attendance. However, see **Exceptions** on page ET-2.

Box 5. Adjustments to Scholarships or Grants for a Prior Year

Enter the amount of any reduction to the amount of scholarships or grants that were reported for a prior year.

Box 6. Checkbox for Amounts for an Academic Period Beginning in January through March of 2003

Check the box if any payments received, or amounts billed, for qualified tuition and related expenses reported for 2002 relate to an academic period that begins in January through March of 2003.

Box 7. Reimbursements or Refunds Under an Insurance Contract

If you are an insurer that chooses to report for 2002, enter the total amount of reimbursements or refunds of qualified tuition and related expenses that you made for the student during 2002.

Box 8. 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 2002. 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. 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 9. 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-T

File **Form 1098-T**, Tuition Payments Statement, if you are an eligible educational institution that received payments for qualified tuition and related expenses or made reimbursements or refunds of such amount in 2002. 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 no academic credit is offered. 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 2002, you must file Form 1098-T if you are an eligible educational institution that received qualified tuition and related expenses in 2002. If you reimburse or refund tuition or related expenses to a student during 2002 that equal or exceed payments of qualified tuition and related expenses you received on behalf of that student during 2002, you are not required to file Form 1098-T. In addition, you are not required to file for a student whose qualified tuition and related expenses were entirely waived or entirely paid with scholarships.

If you are an insurer engaged in a trade or business of making payments of refunds or reimbursements of qualified tuition and related expenses to individuals under an insurance arrangement, you do not have to file Form 1098-T for 2002. However, in future years, you may be required to report refunds or reimbursements (or similar amounts) of qualified tuition and related expenses on Form 1098-T.

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 period. You must file Form 1098-T for each student who is enrolled in your institution for any academic period (e.g., semester, trimester, or quarter) beginning in 2002. Determine your enrollment for each period under your own rules or use one of the following dates:

- 30 days after the first day of the academic period,
- A date during the period 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 period when you must report enrollment data to the state, to your governing board, or to some other external governing body.

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, 2000-2 C.B. 587.

Statements to students. If you are required to file Form 1098-T, you must provide a statement, on paper or electronically, to the student. For more information about the requirements to furnish a statement to each student, see part **H** in the **2002 General Instructions for Forms 1099, 1098, 5498, and W-2G**.

Required for 2002. For 2002, you are required to report on the form only the entity information, whether the student was at least a half-time student (box 8), and whether the student was a graduate student (box 9). **No other information is required for 2002.** See **Box 8** and **Box 9** below.



You are not required to but you may report the applicable amounts in boxes 1 through 7. If you choose to report the information, follow the line instructions for boxes 1 through 7 on page ET-3.

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 8. 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 2002. 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 9. 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.