

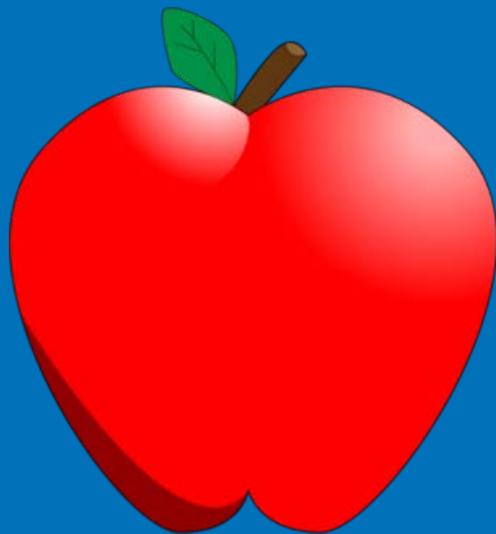


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Don't Flunk Out on Education Credits



Be an

A+

Student!



Honors Curriculum

- What's New
- Form 1098-T
- Education Credit Basics
- Interview Best Practices
- Resources
- How to Contact Us

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What's New?

- Form 8863 Instructions
- Lifetime Learning Credit (LLC) Income Limits
- Legislation Reminders
- Form 1098-T and Instructions



Form 1098-T



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CORRECTED

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number		1 Payments received for qualified tuition and related expenses \$	OMB No. 1545-1574 2015 Form 1098-T
		2 Amounts billed for qualified tuition and related expenses \$	
FILER'S federal identification no.	STUDENT'S social security number	3 If this box is checked, your educational institution has changed its reporting method for 2015 <input type="checkbox"/>	
STUDENT'S name		4 Adjustments made for a prior year \$	5 Scholarships or grants \$
Street address (including apt. no.)		6 Adjustments to scholarships or grants for a prior year \$	7 Checked if the amount in box 1 or 2 includes amounts for an academic period beginning January - March 2016 ▶ <input type="checkbox"/>
City or town, state or province, country, and ZIP or foreign postal code			
Service Provider/Acct. No. (see instr.)	8 Check if at least half-time student <input type="checkbox"/>	9 Checked if a graduate student <input type="checkbox"/>	10 Ins. contract reimb./refund \$

Tuition Statement

Copy B For Student

This is important tax information and is being furnished to the Internal Revenue Service. This form may be used to complete Form 8863 to claim education credits. Give it to the tax preparer or use it to prepare the tax return.

Form **1098-T**

(keep for your records)

www.irs.gov/form1098t

Department of the Treasury - Internal Revenue Service



Video 1



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- 1-College –overview of what, why, and who gets them.



Completing the Form 1098-T

Most students receive Form 1098-T

- Students can contact their school to get a copy and
- Go to *ope.ed.gov/accreditation* to check their school's eligibility

Schools can report tuition as received or billed

Schools only report scholarships and grants they administer

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General Qualifications

All three must be true to claim education credit:

- Pay qualified expenses of higher education
- Pay education expenses for eligible student
- Student is client, client's spouse or a claimed dependent

More Qualifications



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AOTC

- Claim up to 4 tax years
- Within first 4 years of postsecondary education
- Enrolled at least half-time
- Have no felony drug conviction

LLC

- Claim for unlimited tax years
- Available for one or more courses
- Not required to be in a degree program; includes getting or improving job skills

Compare Credit Values



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AOTC

- Up to \$2,500 per eligible student
- Up to 40% (\$1,000) refundable

LLC

- Up to \$2,000 per return
- Non-refundable



Video 2



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- Students – why it is important and what should they do with it.



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Who Does Not Qualify

Cannot claim an education credit if any of these are true:

- Client files married filing separately
- Student is claimed as dependent on another return
- Client or client's spouse were nonresident alien for any part of year



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High School Students?

- Took a college course
- Received Form 1098-T
- In high school at the end of the year



Use Form 1098-T as a Guide



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FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number		1 Payments received for qualified tuition and related expenses \$	OMB No. 1545-1574 2015 Form 1098-T	Tuition Statement	
		2 Amounts billed for qualified tuition and related expenses \$			
FILER'S federal identification no.	STUDENT'S social security number	3 If this box is checked, your educational institution has changed its reporting method for 2015 <input type="checkbox"/>			Copy B For Student This is important tax information and is being furnished to the Internal Revenue Service. This form may be used to complete Form 8863 to claim education credits. Give it to the tax preparer or use it to prepare the tax return.
STUDENT'S name		4 Adjustments made for a prior year \$	5 Scholarships or grants \$		
Street address (including apt. no.)		6 Adjustments to scholarships or grants for a prior year \$	7 Checked if the amount in box 1 or 2 includes amounts for an academic period beginning January - March 2016 ▶ <input type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code					
Service Provider/Acct. No. (see instr.)	8 Check if at least half-time student <input type="checkbox"/>	9 Checked if a graduate student <input type="checkbox"/>	10 Ins. contract reimb./refund \$		

Form **1098-T**

(keep for your records)

www.irs.gov/form1098t

Department of the Treasury - Internal Revenue Service



Video 3



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- Show third section of video on how preparers use the 1098-T to help with the interview



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Interview Using Form 1098-T

- Verify all information on the Form
- Verify expenses not reported on the Form
- Verify student's eligibility
- Document and keep records



No Double Benefits

One education benefit per student per year

- Choose the most advantageous
- Do not include expenses paid with tax-free educational assistance

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Maximize Education Credits

Consider including tax-free grants and scholarships in student's gross income

Pop Quiz – Are you an Honor Student?

Question
1

Question
2

Question
3

Question
4

Extra
Credit



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Question 1



What amount of qualified expenses is needed to claim the maximum AOTC?

- A. \$2,500
- B. \$4,000
- C. \$10,000

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Answer

B. \$4,000

Why?

The calculation to figure AOTC is:

- 100% of the first **\$2,000** in qualified expenses plus
- 25% of the next **\$2,000** in qualified expenses



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Question 2



Dexter

- Filing as Single
- Earned \$80,000
- Paid \$4,000 in qualifying education expenses
- Received Form 1098-T showing graduate student

Does Dexter qualify for the AOTC?

A. Yes B. No C. You need to ask more questions

Answer

C. You need to ask more questions

Why?

You need to find out if Dexter was within his first 4 years of postsecondary education at any time during the year



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Question 3

Yolanda paid the tuition with:

- \$5,000 gift from her grandparents,
- \$5,000 from a student loan and
- \$5,000 from a Pell Grant

How much are her *qualified* education expenses?

- | | |
|-------------|-------------|
| A. \$5,000 | C. \$15,000 |
| B. \$10,000 | D. Zero |



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Answer

B. \$10,000

Why?

- The \$5,000 loan and the \$5,000 gift are allowable funds to calculate qualified education expenses
- The Pell grant, **if treated as tax-free**, is not.



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Question 4

Sarah is in an undergraduate program and received Form 1098-T. The Form shows she was *billed* \$5,000 for tuition and was not at least a half-time student.

s, city or town, state or province, country, ZIP or phone number UNIVERSITY LANE GA 30310		1 Payments received for qualified tuition and related expenses \$	OM 4
no. STUDENT'S social security number XX-XXX-4567		2 Amounts billed for qualified tuition and related expenses \$ 5,000.00	4
ENT		3 If this box is checked, your education has changed its reporting method	5
(no.) REET		4 Adjustments made for a prior year \$	\$
e, country, and ZIP or foreign postal code A 30308		6 Adjustments to scholarships or grants for a prior year \$	7
ee instr.)	8 Check if at least half-time student <input type="checkbox"/>	9 Checked if a graduate student <input type="checkbox"/>	10 \$
(keep for your records)		www.irs.gov/form1098t	

What questions would you ask about Sarah?



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Question 4 Continued

During your interview you find out:

Sarah paid the amount billed, but only took 6 credits. The school considers 15 credits full time

Choose the eligible credit for Sarah.

- A. AOTC
- B. LLC
- C. Either A or B
- D. None



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Answer

B. LLC

Why?

You don't have to be at least a ½ time student to claim.
But, you must be enrolled in at least one or more courses.



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Extra Credit

- Jay
 - Files single, age 20, and a full-time college student
 - Received multiple Forms 1098-T
 - Earned \$12,000 during the year
- Jay's parents
 - Provided more than half his support
 - Paid his tuition (\$14,000)
 - Chose not to claim Jay as a dependent



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Extra Credit Continued

Which education credit can Jay claim?

- A. AOTC
- B. LLC
- C. Either A or B
- D. None of the above



Answer

C. Either A or B. **But**, he cannot claim the refundable part of the AOTC

Why?

- He is over age 18, under age 24 and a full-time student
- His earned income was less than half his support
- His parents were alive
- He did not file a joint return



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Resources

Find the syllabus for this **tax forum** with links to all the information you need

eitc.irs.gov/Other-Refundable-Credits/main



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Reach out to us
eitc.program@irs.gov



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