

**INTERNAL REVENUE SERVICE**

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May 9, 2003

Attention: [REDACTED]

Dear [REDACTED]:

This letter is in response to an inquiry from your office, dated March 5, 2003, on behalf of your constituent, Mr. [REDACTED]. Mr. [REDACTED] disagrees with the definition in our regulations of "qualified tuition and related expenses" for the Hope Scholarship Credit. Under the regulations, the expenses for course-related books generally do not qualify for the credit.

Section 25A of the Internal Revenue Code allows the Hope Scholarship Credit and the Lifetime Learning Credit (collectively referred to as the education tax credit). The credit is provided for qualified tuition and related expenses ("qualified expenses"). Section 25A(f)(1)(A) defines qualified expenses as tuition and fees required for enrollment or attendance at an eligible institution for courses of instruction at such institution. The cost of books is not expressly included in the statutory definition of qualified expenses.

However, the cost of books may be treated as qualified expenses for the education tax credit if paid as part of required fees to the eligible educational institution. Section 1.25A-2(d)(2)(ii) of the Income Tax Regulations provides that qualified tuition and related expenses include fees for books, supplies, and equipment used in a course of study if the fees must be paid to the eligible educational institution for enrollment or attendance at the institution. Section § 1.25A-2(d)(6), Examples 1 and 2, illustrate the point.

In Example 1, students enrolled in a degree program in dentistry are allowed to treat a required fee paid to rent dental equipment as a qualified expense, because the rental fee had to be paid to the university. In Example 2, students cannot treat expenditures for books as qualified expenses, even though the books are required for the college's mandatory first-year curriculum, because the students may borrow the books from other students or purchase them from off-campus bookstores.

I hope this information is helpful. Please call [REDACTED], if you have any questions. As you requested, I am also sending a copy of this letter to your office by facsimile.

Sincerely,

Lewis J. Fernandez  
Deputy Associate Chief Counsel  
(Income Tax & Accounting)