

Tax Filing Info

Information About Form 1098-T

The following questions and answers guide you through the basics of the 1098-T tax form and offer explanations about the boxes on the form.

- What is a 1098-T form?
- Who is eligible for the tax credit?
- What are the boxes on the form?
- What form or forms do I complete?
- If I do not qualify for the Hope Scholarship and the American Opportunity Credit, can I apply for the Lifetime Learning Credit?
- Other recommendations

What is a 1098-T form?

The 1098-T tax form informs the taxpayer if he/she is eligible for the Hope Scholarship Credit. The Hope Scholarship Credit provides tax credits based on the taxpayers modified adjusted gross income (MAGI). The amount of the tax credit is gradually reduced if your income falls above a certain threshold.

Who is eligible for the tax credit?

The student, if not considered a dependent for income tax purposes, is eligible to claim the credit. If the student had tuition and fees paid by the parents, then the parents can claim the credit providing income for the year is within IRS guidelines. If the student or the parents are married filing separate, then the Hope Scholarship, American Opportunity Credit and the Lifetime Learning Credit cannot be taken. However, the tuition and fee deduction can be used. For a more detailed explanation review other recommendations.

What are the boxes on the form?

- Box 1 is not being used this year for reporting purposes.
- Box 2 represents total amount billed for tuition and qualified fees. If the student received a waiver during the year, then the amount of the waiver would reduce the amount in box 2.
- Box 4 nets adjustments to the student's account. If a number is posted to box 4, then this amount should be subtracted from the amount in box 2. Items included in box 4 are the tuition and fee adjustments during the prior year (e.g., if the student registered for a class in November of one year and for spring the following semester). The amount would show as an adjustment on the 1098-T, because the registration took place in the previous year. Remember to subtract box 4 from box 2.
- Box 5 reflects financial aid and scholarships made to the student during the tax year. If the student's aid exceeds tuition and fees, then the tax credit may not be taken. Remember to subtract box 5 from box 2.
- Box 6 shows adjustments for scholarships and/or grants for a semester held in the prior tax year. Remember to subtract box 6 from box 2.

- Box 7 will be marked with a "Y" if the student made a registration in one tax year but the class is scheduled for the following calendar year. The registration is reflected in box 2.
- Box 8 tells the recipient if he/she qualifies for the credit. The law states that a student must be enrolled at least half-time (minimum - six credit hours in one semester) in a degree or certificate program. If the student qualifies, then the box will be marked with an "X."

Example: Jane Doe took six credit hours during a year at Lee College. If she took a three credit course in the spring and a three credit course in the fall, she would not qualify because under the law because she would not be considered a half-time student in any one semester. If Jane took six credits in the spring semester, she would qualify for the credit, because under the law she would be considered a half-time student.

What form or forms do I complete?

To apply for the Hope Scholarship, one should refer to IRS tax form 8863 and Publication 970 when completing your forms. If you are experiencing difficulty completing the form, you should consult a tax advisor.

If I don't qualify for the Hope Scholarship, can I apply for the Lifetime Learning Credit?

Yes. The law states a student can claim a credit of twenty percent of total tuition and related fees to a maximum of \$2,000 ($\$10,000 \times 20\%$).

The tax form to be used for Lifetime Learning Credit is the same as the Hope Scholarship. Refer to IRS tax form 8863 and Publication 970 when filling out your form.

Other recommendations

Tuition and fee deduction is another means to get a deduction as an adjustment to income on your 1040 or 1040A form.

The deductible amount may be as much as \$4,000 based on income levels. If your modified adjusted income level is less than \$80,000 for single and \$160,000 for married filing jointly, then you would be eligible to take the deduction. You may not take the deduction if you are married filing separately or if another person can claim you as a dependent on his or her tax return.

Verify the numbers on tax form 1098-T with your personal records. If there's a discrepancy, contact the Business Office at 281.425.6324 or 281.425.6322 if you have questions relating to your 1098-T. Questions relating to your individual tax return cannot be addressed by the college and should be discussed with your tax advisor.

Revised IRS Guidelines

Is my financial aid refund taxable income?

IRS Publication 970 Tax Benefits for Education

Pell Grants and Other Title IV Need-Based Education Grants

These need-based grants are treated as scholarships for purposes of figuring their taxation. They are tax free to the extent used for qualified education expenses during the period for which a grant is awarded. Only the taxable amount must be reported. See Reporting Scholarships and Fellowships earlier in this chapter.

4.8 Interest/Dividends/Other Types of Income: Grants, Scholarships, Student Loans, Work Study

I received an academic scholarship that is designated to be used for tuition and books. Is this taxable?

Qualified scholarships and fellowships are treated as tax-free amounts if all of the following conditions are met:

- You are a candidate for a degree at an educational institution,
- Amounts you receive as a scholarship or fellowship are used for tuition and fees required for enrollment or attendance at the educational institution, or for books, supplies, and equipment required for courses of instruction, and
- The amounts received are not a payment for your services.

For additional information on Scholarship and Fellowship Grants, refer to Tax Topic 421, and Publication 970, Tax Benefits for Education.

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