Education Credit examples¹

Option 1 Example: Qualified Education Expenses (QEE) more than Scholarships/Grants

Step 1: Use 1098-T to calculate QEE.

FILER's name, address, and contact phone number Middle Tennessee State University Business Office 1301 East Main Street Murfreesboro, TN 37132 United States of America (615) 8982111		1 Payments Received for qualified tuition and related expenses 14,363.00	
FILER's Federal Id 626005794	Student SSN ****	3	
STUDENT's name, street		4 Adjustments	5 Scholarships or Grants 10,007.00
		6 Adjustments to Scholarships	7 Check if box 1 includes amounts for academic period beginning January - March 2022
Service Provider/Acct. No. (opt)	8 Check if at least half time student [X]	9 Check if a graduate student	10 Reimbursements from insurance contract

	QEE (Box 1)	\$14,363
Plus	Other allowable expenses	\$0
Less	Scholarships (Box 5)	\$10,007
Equal	Remaining QEE	\$4,356

Step 2: Refer to Option 1 because remaining QEE is greater than \$4,000.

Parent: Use maximum QEE of \$4,000 for AOC

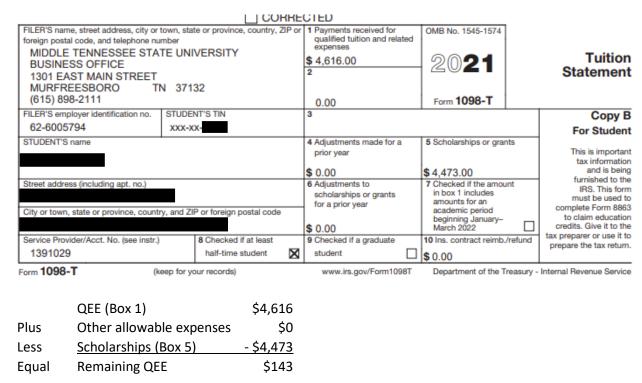
Student: No impact on return

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¹ At the time these Education Credit examples were created, the Kiddie Tax amount of \$2,300 for tax year 2022 had not been announced. These examples reflect the Kiddie Tax amount of \$2,200 from tax year 2021.

Option 2 Example: Qualified Education Expenses (QEE) more than Scholarships/Grants

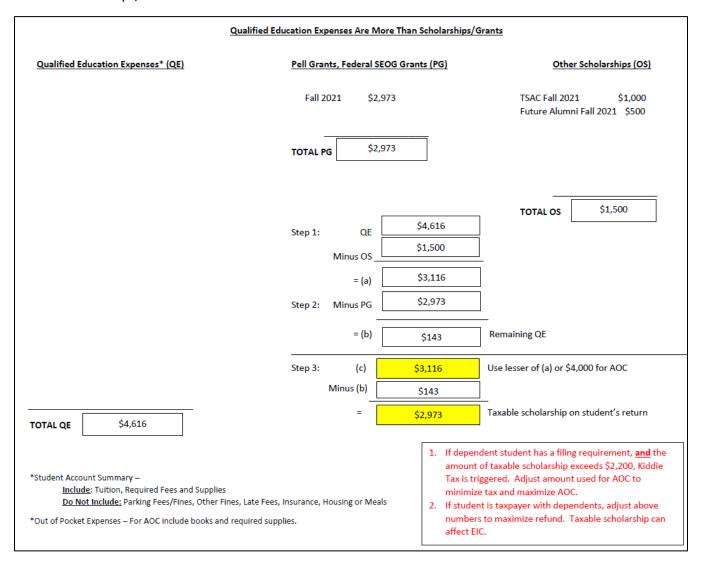
Step 1: Use 1098-T to calculate QEE.



Step 2: Refer to Option 2 because QEE is less than \$4,000 but still a positive number. Look at Student Account Summary to see if student received any Pell Grants.

ward Decisio	n Status	Term	Ameunt
Federal Pell Grant	Accept	Fall 2021	\$2,973.00
	Accept	Spring 2022	\$458.00
		Fund Total:	\$3,431.00
TSAC Grant	Accept	Fall 2021	\$1,000.00
		Fund Total:	\$1,000.00
Future Alumni Scholarship	Accept	Fall 2021	\$500.00
		Fund Total:	\$500.00
Federal Direct Subsidized Ioan	Web Accept	Fall 2021	\$500.00
		Fund Total:	\$500.00

Since student received Pell Grant, use the worksheet "Qualified Education Expenses are more than Scholarships/Grants" to determine how to allocate Pell Grant.



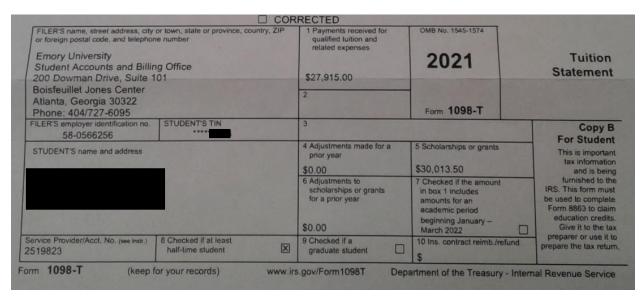
Parent: Use \$3,116 of QEE for AOC

Student: Report \$2,973 as taxable scholarship on return, if filing

Student's income is \$7,211. Even if you add \$2,973 of taxable scholarship, the student's earned income (\$7,211 + \$2,793 = \$10,004) is less than the standard deduction; and therefore, the student does not have a filing requirement. Kiddie Tax is not triggered because one of the criteria (has to have a filing requirement) is not met. Student would only need to file if they had federal taxes withheld from employment.

Option 3 Example: Remaining QEE is a negative number (no Kiddie Tax)

Step 1: Use 1098-T to calculate QEE.



QEE (Box 1) \$27,915

Plus Other allowable expenses \$0

Less Scholarships (Box 5) - \$30,014

Equal Remaining QEE - \$2,099

Step 2: Refer to Option 3 because QEE is a negative number. Look at Student Account Summary to see if student received any Pell Grants.



Since student received Pell Grant, use the worksheet "Scholarships/Grants are more than Qualified Education Expenses" to determine how to allocate Pell Grant.

Scholarships/Grants are more than Qualified Education Expenses						
	deral SEOG 2021 \$3,2	248			larships (OS) \$25,765	<u>Refunds**</u>
TOTA		\$4,248				TAL For informational purposes only. Shows student should
			TOTAL OS	Ş	225,765	have taxable scholarships without moving Pell Grants.
S	Step 1:	QE Inus OS	\$27,915 \$25,765]	
	Step 2: Mi	= (a) inus PG	\$2,150		Remaining QE – Use s	the lesser of (a) or \$2,150
		= (b)	(\$2,098)	as a <u>positive number</u> .	ove yellow box <u>and</u> (b) as This is taxable scholarship
TOTAL QE \$27,915					on student's return.	\$4,248
*Student Account Summary – Include: Tuition, Required Fees and Supplies Do Not Include: Parking Fees/Fines, Other Fines, Late Fees, Insurance, Housing or Meals *Out of Pocket Expenses – For AOC include books and required supplies.			1. If dependent student has a filing requirement, and the amount of taxable scholarship exceeds \$2,200, Kiddie Tax is triggered. Adjust amount used for AOC to minimize student's tax and maximize AOC. 2. If student is taxpayer with dependents, adjust above numbers to maximize refund. Taxable scholarship can affect EIC.			

Parent: Use \$2,150 as QEE for AOC

Student: Report \$4,248 as taxable scholarship, if filing

Student's income is \$1,150. Even if you add \$4,248 of taxable scholarship, the student's earned income (\$1,150 + \$4,248 = \$5,398) is less than the standard deduction; and therefore, the student does not have a filing requirement. Kiddie Tax is not triggered because one of the criteria (has to have a filing requirement) is not met. Student would only need to file if they had federal taxes withheld from employment.

Option 3 Example: Remaining QEE is a negative number (Kiddie Tax may be triggered)

Step 1: Use 1098-T to calculate QEE.

Form 1098-T

FILER's name, address, and contact phone number Volunteer State Community Coll 1480 Nashville Pike Gallatin, TN 37066 United States of America (615) 2303585		1 Payments Received for qualified tuition and related expenses 3,324.20	2021	
FILER's Federal Id 620818836	Student SSN *****	3		
STUDENT's name, street		4 Adjustments	5 Scholarships or Grants 3,423.00	
		6 Adjustments to Scholarships	7 Check if box 1 includes amounts for academic period beginning January - March 2022	
Service Provider/Acct. No. (opt)	8 Check if at least half time student [X]	9 Check if a graduate student []	10 Reimbursements from insurance contract	

	QEE (Box 1)	\$3,324
Plus	Other allowable expenses	\$0
Less	Scholarships (Box 5)	- \$3,423
Equal	Remaining QEE	- \$99

Step 2: Refer to Option 3 because QEE is a negative number. Look at Student Account Summary to see if student received any Pell Grants.

	yments Received Description Fall Term 2021	Amount Pro-rata
1000	Federal Pell Grant	\$2,773.00
2000	TSAA	\$650.00
HF3P	HeerfRelief3 Payment	\$900.00
RREF	Refund - Financial Aid Check	-\$998.80
	Term Total	: \$3,324.20

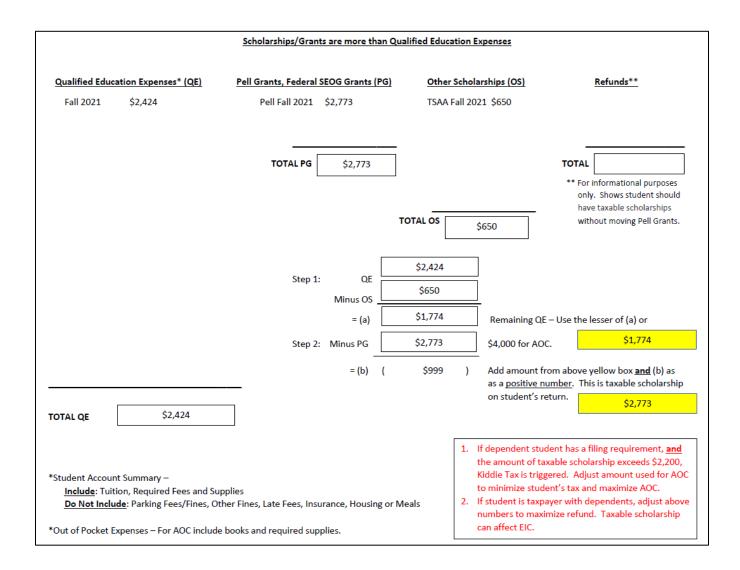
Total All Terms: \$3,324.20

Detail of Charges Billed

Detail of Charges Billed					
Term	Code	Description	Amount Pr	o-rata	
202210)	Spring Term 2022 - Begins in 2	022		
	FACT	Activity Fee	\$7.00		
	FCAM	Program Services Fee	\$11.00		
	FGAC	Student Government Activity	\$5.00		
	FIEF	International Education Fee	\$10.00		
	FSCF	Sustainable Campus Fee	\$1.00		
	FTEC	Technology Access Fee	\$116.00		
	TUGI	Maintenance Fees In State	\$2,107.50		
		Term Total:	\$2,257.50		
202180)	Fall Term 2021			
	FACT	Activity Fee	\$7.00		
	FB19	IncludEd Psyc/Sociology eBook	\$45.00		
	FB20	IncludEd Reading eBook	\$67.55		
	FB22	IncludEd First Year Expr eBook	\$54.15		
	FCAM	Program Services Fee	\$11.00		
	FGAC	Student Government Activity	\$5.00		
	FIEF	International Education Fee	\$10.00		
	FSCF	Sustainable Campus Fee	\$1.00		
	FTEC	Technology Access Fee	\$116.00		
	TUGI	Maintenance Fees In State	\$2,107.50		
		Term Total:	\$2,424.20		

Total All Terms: \$4,681.70

Since student received Pell Grant, use the worksheet "Scholarships/Grants are more than Qualified Education Expenses" to determine how to allocate Pell Grant.



If student does not have a filing requirement:

Parent: Claim \$1,774 as QEE for AOC

Student: Report \$2,773 as taxable scholarship, if filing

If student has a filing requirement:

Student's income: \$12,553 (TY21 standard deduction is \$12,550)

Because the student's income is more than the standard deduction, the student has a filing requirement which means one of the two Kiddie Tax criteria has been met. To avoid triggering Kiddie Tax, adjust the amount of taxable scholarship on student's return so that it is \$2,200 or less. This will keep both returns in scope for VITA.

Student: Report \$2,200 as taxable scholarship

Parent: Reduce the amount of QEE by the reduced amount of taxable scholarship which results in

\$1,201 available as QEE for AOC.

\$2,773 - \$2,200 = \$573

\$1,774 - \$573 = \$1,201