

Education Credit examples¹

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

Step 1: Use 1098-T to calculate QEE.

Form 1098-T

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	2021
		2	
FILER's Federal Id 626005794	Student SSN *****	3	
STUDENT's name, street [REDACTED]		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 <input checked="" type="checkbox"/>
Service Provider/Acct. No. (opt)	8 Check if at least half time student <input checked="" type="checkbox"/>	9 Check if a graduate student <input type="checkbox"/>	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

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.


CORRECTED

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number MIDDLE TENNESSEE STATE UNIVERSITY BUSINESS OFFICE 1301 EAST MAIN STREET MURFREESBORO TN 37132 (615) 898-2111		1 Payments received for qualified tuition and related expenses \$ 4,616.00	OMB No. 1545-1574 2021 Form 1098-T	Tuition Statement Copy B For Student This is important tax information and is being furnished to the IRS. This form must be used to complete Form 8863 to claim education credits. Give it to the tax preparer or use it to prepare the tax return.
FILER'S employer identification no. 62-6005794	STUDENT'S TIN XXX-XX-████	2 0.00	3	
STUDENT'S name ██████████		4 Adjustments made for a prior year \$ 0.00	5 Scholarships or grants \$ 4,473.00	
Street address (including apt. no.) ██████████		6 Adjustments to scholarships or grants for a prior year \$ 0.00	7 Checked if the amount in box 1 includes amounts for an academic period beginning January–March 2022 <input type="checkbox"/>	
City or town, state or province, country, and ZIP or foreign postal code ██████████		8 Checked if at least half-time student <input checked="" type="checkbox"/>	9 Checked if a graduate student <input type="checkbox"/>	
Service Provider/Acct. No. (see instr.) 1391029	10 Ins. contract reimb./refund \$ 0.00			

Form **1098-T** (keep for your records) www.irs.gov/Form1098T Department of the Treasury - Internal Revenue Service

	QEE (Box 1)	\$4,616
Plus	Other allowable expenses	\$0
Less	Scholarships (Box 5)	- \$4,473
Equal	Remaining QEE	\$143

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.


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Award Decision

Fund	Status	Term	Amount
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 loan	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.

<u>Qualified Education Expenses Are More Than Scholarships/Grants</u>			
<u>Qualified Education Expenses* (QE)</u>	<u>Pell Grants, Federal SEOG Grants (PG)</u>		<u>Other Scholarships (OS)</u>
	Fall 2021	\$2,973	TSAC Fall 2021 \$1,000 Future Alumni Fall 2021 \$500
	TOTAL PG	\$2,973	
			TOTAL OS \$1,500
Step 1:	QE	\$4,616	
	Minus OS	\$1,500	
	= (a)	\$3,116	
Step 2:	Minus PG	\$2,973	
	= (b)	\$143	Remaining QE
Step 3:	(c)	\$3,116	Use lesser of (a) or \$4,000 for AOC
	Minus (b)	\$143	
	=	\$2,973	Taxable scholarship on student's return
TOTAL QE		\$4,616	

*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 tax and maximize AOC.
2. If student is taxpayer with dependents, adjust above numbers to maximize refund. Taxable scholarship can affect EIC.

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.

CORRECTED

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number Emory University Student Accounts and Billing Office 200 Dowman Drive, Suite 101 Boisfeuillet Jones Center Atlanta, Georgia 30322 Phone: 404/727-6095		1 Payments received for qualified tuition and related expenses \$27,915.00	OMB No. 1545-1574 2021 Form 1098-T	Tuition Statement
FILER'S employer identification no. 58-0566256	STUDENT'S TIN ****	2	3	
STUDENT'S name and address [REDACTED]		4 Adjustments made for a prior year \$0.00	5 Scholarships or grants \$30,013.50	Copy B For Student This is important tax information and is being furnished to the IRS. This form must be used to complete Form 8863 to claim education credits. Give it to the tax preparer or use it to prepare the tax return.
		6 Adjustments to scholarships or grants for a prior year \$0.00	7 Checked if the amount in box 1 includes amounts for an academic period beginning January - March 2022 <input type="checkbox"/>	
Service Provider/Acct. No. (see instr.) 2519823	8 Checked if at least half-time student <input checked="" type="checkbox"/>	9 Checked if a graduate student <input type="checkbox"/>	10 Ins. contract reimb./refund \$	

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	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.

Box #	Amount	Item Term	Description
1 001	205.00	Fall 2021	Payment ACH Orientation Fee
2 001	275.00	Fall 2021	Tuition Deposit ACH
3 001	75.00	Fall 2021	HousingResFee ACH Pmt_Oxf
4 001	1000.00	Fall 2021	Federal SEOG Oxford
5 001	3248.00	Fall 2021	Federal Pell Grant
6 001	1732.00	Fall 2021	Federal Direct Sub Loan 1
7 001	990.00	Fall 2021	Federal Direct Unsub Ln 1
8 001	70.00	Fall 2021	Emory University Grant
9 001	112.00	Fall 2021	Emory University Grant
10 001	198.00	Fall 2021	Emory University Grant
11 001	14328.57	Fall 2021	Emory University Grant
12 001	5656.43	Fall 2021	Bill-Ala PACT
13 001	75.00	Fall 2021	Payment Online
14 005	1000.00	Fall 2021	Federal SEOG Oxford
15 005	3248.00	Fall 2021	Federal Pell Grant
16 005	25765.50	Fall 2021	Emory University Grant

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

<u>Scholarships/Grants are more than Qualified Education Expenses</u>			
<u>Qualified Education Expenses* (QE)</u>	<u>Pell Grants, Federal SEOG Grants (PG)</u>	<u>Other Scholarships (OS)</u>	<u>Refunds**</u>
	Pell Fall 2021 \$3,248	University \$25,765	
	SEOG Fall 2021 \$1,000		
	TOTAL PG \$4,248		TOTAL
		TOTAL OS \$25,765	** For informational purposes only. Shows student should have taxable scholarships without moving Pell Grants.
	Step 1: QE \$27,915		
	Minus OS \$25,765		
	= (a) \$2,150	Remaining QE – Use the lesser of (a) or	
	Step 2: Minus PG \$4,248	\$4,000 for AOC.	\$2,150
	= (b) (\$2,098)	Add amount from above yellow box and (b) as as a positive number . This is taxable scholarship on student's return.	\$4,248
TOTAL QE	\$27,915		

*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
		2	
FILER's Federal Id 620818836	Student SSN ***** [REDACTED]	3	
STUDENT's name, street [REDACTED]		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.

Detail of Payments Received

Term	Code	Description	Amount Pro-rata
202180		Fall Term 2021	
	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**Term Code Description Amount Pro-rata**

202210		Spring Term 2022 - Begins in 2022	
	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.

Scholarships/Grants are more than Qualified Education Expenses

Qualified Education Expenses* (QE)

Fall 2021 \$2,424

Pell Grants, Federal SEOG Grants (PG)

Pell Fall 2021 \$2,773

Other Scholarships (OS)

TSAA Fall 2021 \$650

Refunds**

TOTAL PG \$2,773

TOTAL

** For informational purposes only. Shows student should have taxable scholarships without moving Pell Grants.

TOTAL OS \$650

Step 1: QE \$2,424
 Minus OS \$650
 = (a) \$1,774

Remaining QE – Use the lesser of (a) or

Step 2: Minus PG \$2,773

\$4,000 for AOC.

\$1,774

= (b) (\$999)

Add amount from above yellow box **and** (b) as as a **positive number**. This is taxable scholarship on student's return.

\$2,773

TOTAL QE \$2,424

*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.

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.

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

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