**Education Expenses – How to Guide**

**Who Gets the Credit?**

* **Whoever claims the student’s personal exemption qualifies to claim the credit. (This is usually the parent.)**
* **Scholarship and/or Grant income is always reported on the student’s return.**

**PART 1: Do you have what you need to calculate the credit?**

There are **3 items you need** to have in order to address education expenses:

**Item 1: Account Statement from the School**

The student account statement shows tuition, fees and other expense payments charged by the school for the student and reflects any payments made regardless of the payment’s origin.

The information from the account statement is the primary source of information used to complete the education worksheet. It will calculate if there is a credit available (for whomever claims the student) and/or income to be reported on the student’s return.

**Item 2: Form 1098-T**

This form is issued by the school and reflects expenses paid to the school and scholarships administered by the school.

The expenses listed in box 1 of [Form 1098-T](https://www.irs.gov/pub/irs-pdf/f1098t.pdf) include non-qualified expenses so the amount in box 1 of the form. This amount is **NOT USED** as qualifying expenses for the credit or for reducing scholarship/grant income.

The **ONLY** information we use from the 1098-T is the name, address, and EIN of the institution and if the student is more than half-time.

If you have a 1098-T with entries in box 4 or 6 refer to the document on the FC Tax Season Resource Page titled [Boxes 4 or 6: When is a 1098-T out of scope?](https://www.ctcresources.com/uploads/3/1/6/2/31622795/when_is_a_1098-t_out_of_scope_%5B10.28.19%5D.pdf) for guidance on when these 1098-Ts need to be referred to Special Tax Services.

**Item 3: Other Expenses**

These expenses will not appear on the account statement and are provided by the client during the interview.

Course related expenses, such as fees, books, supplies and equipment that are required for the courses at the school. These items must be required of **all** students in the course.

Computers do not qualify unless they are required for enrollment or specified in the syllabus as a requirement for the course.

Be sure to reference the FC document [What fees are qualified expenses?](https://docs.google.com/document/d/1oguyiJmRLZaGSvA_hJseVOrUTcBHCzbQacoprusQiD8/edit?usp=sharing) and IRS Pub 970 Tax Benefits for education, chapters 1, 2 and 3 to verify what counts as qualified expenses. These documents live on the FC Tax Season Resource Page.

**PART 2: Expenses & Using the Education Worksheet**

**Education Worksheet – What’s It All About?**

[**Education Worksheet**](https://drive.google.com/file/d/1q9Fph3lyGp11pk5q6fmTnoZMQ0waXXNt/view?usp=sharing)**: you will use this online worksheet every time you work on a tax return that has an Education Credit.**

[**Review of Education Worksheet**](https://screencast-o-matic.com/watch/creqFDVVVzP): **this video** explains the purpose of the Education Worksheet and how to use it.

**All That Information – What Goes Where?**

This video [**Entering Account Statement Information and Other Expenses into Education Worksheet**](https://screencast-o-matic.com/watch/cYXZF6LEzw)demonstrates how to enter information from the account statement into the education worksheet.

**If there is an expense on the account statement that is not on the drop menu of the worksheet the check the** [What fees are qualified expenses?](https://docs.google.com/document/d/1oguyiJmRLZaGSvA_hJseVOrUTcBHCzbQacoprusQiD8/edit?usp=sharing) reference on the FC Tax Season Resource Page as it is updated more frequently than the worksheet.

**Entering Education Expenses on TaxSlayer**

**This video** [**Entering Education Expenses on TaxSlayer**](https://screencast-o-matic.com/watch/creqFYVVVB2) **demonstrates how to enter education expenses into TaxSlayer.**

**Here are links to the** [1098-T](https://drive.google.com/file/d/1lkW9HNkCV1sN31M2ZhUTRdAIaH8i0Dc_/view?usp=sharing) **and** [Education Worksheet](https://drive.google.com/file/d/1q9Fph3lyGp11pk5q6fmTnoZMQ0waXXNt/view?usp=sharing) **used in the video.**

**PART 3: Transferring Grants and Scholarships to Income using the Education Worksheet: when is this applicable?**

When scholarships/grants exceed qualified expenses, the client (usually parent) has the option to transfer scholarships/grants to the student as income in order to increase the qualified expenses available for the credit.

The Education Worksheet offers this option only when the available expenses (eligible expenses reduced by scholarships/grants) are below $4,000 for American Opportunity Credit and below $10,000 for Lifetime Learning Credit.

From the FC Tax Season Resource Page, review  [When is Form 8615 (Kiddie Tax) out of scope?](https://www.ctcresources.com/uploads/3/1/6/2/31622795/when_is_form_8615_out_of_scope.pdf) for guidance on when to refer the client to Special Tax Services.

This video [**Entering Scholarship Income on TaxSlayer**](https://screencast-o-matic.com/watch/creqFrVVVBw)demonstrates how to enter scholarship income on the student’s return:

**PART 4: Upload a copy of the Education Worksheet to the Hub Client Ticket**

Once you complete the online Education Worksheet you will need to create a PDF version of the file using the computer’s “print to PDF” function, and then upload the PDF file of the Worksheet to the HUB client ticket.

Watch this how-to video: [**Downloading and Uploading the Education Credit Worksheet**](https://screencast-o-matic.com/watch/creqF0VVVgQ)

Our videos show how to do this process for a PC computer. The process is similar for an Apple Mac. If you need additional help for the process using an Apple Mac computer, check out this [support page](https://support.apple.com/guide/mac-help/save-a-document-as-a-pdf-on-mac-mchlp1531/mac)for instructions on how to save a webpage (i.e. the education worksheet) as a PDF file on your computer that can be uploaded to the Hub.

**PART 5:** **More Than One School for the Student?**

**If you have multiple Education Worksheets for a student, add the expenses from all Worksheets for that student together and enter that amount in TaxSlayer (but not more than $4000 per student for the American Opportunity Credit or $10,000 per tax return for the Lifetime Learning Credit.**

Watch this instructional video about how to address [**Multiple 1098-Ts**](https://screencast-o-matic.com/watch/creqFTVVVkV)

**PART 6: REMEMBER YOUR IRS & FC RESOURCES**

**MORE RESOURCES:** remember to visit the FC Tax Season Resource Page at <https://www.ctcresources.com/>. There is an entire “Education Benefits” section that includes the links previously shared in this document and more helpful resources:

**Education Benefits**
  + [**Education worksheet for all tax years**](https://www.ctcresources.com/education-credits-2020.html)
  + [Education worksheet printing to PDF](https://screencast-o-matic.com/watch/cYlQo7NLyf)
  + [Education benefits training video](https://screencast-o-matic.com/watch/cYXZF6LEzw)
  + [What fees are qualified expenses?](https://docs.google.com/document/d/1oguyiJmRLZaGSvA_hJseVOrUTcBHCzbQacoprusQiD8/edit?usp=sharing)
  + [Which scholarships/grants can be used for living expenses?](https://docs.google.com/document/d/1fmxEnUmA7nsfP2lo16FRJb8wcaiQsq9k_6yQMslQrFs/edit)
  + [Boxes 4 or 6: When is a 1098-T out of scope?](https://www.ctcresources.com/uploads/3/1/6/2/31622795/when_is_a_1098-t_out_of_scope_%5B10.28.19%5D.pdf)
  + [When is Form 8615 (Kiddie Tax) out of scope?](https://www.ctcresources.com/uploads/3/1/6/2/31622795/when_is_form_8615_out_of_scope.pdf)
  + [Publication 970](https://www.irs.gov/pub/irs-pdf/p970.pdf)
  + Pull 1098-T & summary: [[ACC](https://www.ctcresources.com/uploads/3/1/6/2/31622795/pulling_the_account_summary_from_acc__updated_.pdf)] [[Texas State](https://www.ctcresources.com/uploads/3/1/6/2/31622795/texas_state_university_1098-t__summary_instructions.pdf)] [[UT](https://www.ctcresources.com/uploads/3/1/6/2/31622795/ut-austin_1098-t_summary_instructions.pdf)] [[Texas Tech](https://www.ctcresources.com/uploads/3/1/6/2/31622795/texas_tech_account_summary.pdf)] [[St. Ed](https://www.ctcresources.com/uploads/3/1/6/2/31622795/st.eds_-_1098-t___summany_instructions__final_.pdf)]
  + [**Education Credits Frequently Asked Questions (FAQ)**](https://www.ctcresources.com/uploads/3/1/6/2/31622795/faq_education_credits.pdf)
​  + [**ACC webpage on 1098-Ts and tax reporting
​**](http://www.austincc.edu/students/tuition-and-payments/tax-reporting-1098-t)**+**[**Referring to College Hub**](https://www.ctcresources.com/uploads/3/1/6/2/31622795/college_hub_-_tax_referral.pdf)**[new]**