

Determining Qualified Education Expenses

Box 1 may include non-taxable scholarship and grant amounts. Be sure to subtract these before using an amount from this box as qualifying expenses. Some students may choose to pay non-qualifying expenses with scholarship/Pell Grant funds, making the scholarship/Pell Grant taxable. This is true even if the scholarship/grant was paid directly to the school. This may increase the amount of qualifying expenses that can be used in calculating an education credit.

Box 2 Shows the total amount billed in 2016 for qualified tuition and related expenses less any reduction in charges made in 2016 that relate to those billed in 2016.

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number		1 Payments received for qualified tuition and related expenses \$	OMB No. 1545-1574 2016 Form 1098-T	Tuition Statement
		2 Amounts billed for qualified tuition and related expenses \$		
FILER'S federal identification no.	STUDENT'S social security number	3 If this box is checked, your educational institution has changed its reporting method for 2014 <input type="checkbox"/>		Copy B For Student This is important tax information and is being furnished to the Internal Revenue Service.
STUDENT'S name		4 Adjustments made for a prior year \$	5 Scholarships or grants 2016 \$	
Street address (including apt. no.)		6 Adjustments to scholarships or grants for a prior year \$	7 Checked if the amount in box 1 or 2 includes amounts for an academic period beginning January - March 2015 <input type="checkbox"/>	
City or town, state or province, country, and ZIP or foreign postal code				
Service Provider/Acct. No. (see Instr.)	8 Check if at least half-time student <input type="checkbox"/>	9 Checked if a graduate student <input type="checkbox"/>	10 Ins. contract reimb./refund 2017 \$	

Form 1098-T (keep for your records) www.irs.gov/form1098t Department of the Treasury - Internal Revenue Service

Determine the amount paid by verifying the payment received from the student account statement with the amount shown in Box 1 or 2 of Form 1098-T. Remember to include books, supplies, materials and equipment if claiming the American Opportunity Credit. Also remember to include out of pocket payments made by the student or on the student's behalf. This includes student loans, payments, credit cards and **taxable portions of scholarships/grants.**

Adjusted Qualified Education Expenses Worksheet (Form 8863 instructions)	
1. Total qualified education expenses paid for on behalf of the student in 2016 for the academic period	5,500
2. Less adjustments:	
a. Tax-free educational assistance received in 2016 allocable to the academic period	3,000
b. Tax-free educational assistance received in 2017 (and before you file your 2016 tax return) allocable to the academic period	0
c. Refunds of qualified education expenses paid in 2016 if the refund is received in 2016 or in 2017 before you files your 2016 tax return	0
3. Total adjustments (add lines 2a, 2b, and 2c)	3,000
4. Adjusted qualified education expenses. Subtract line 3 from line 1. If zero or less, enter -0-	2,500

Example - Bill and Sue are eligible to claim the American Opportunity Credit for their daughter Sarah, who is in her first year of college. They have a Form 1098-T with \$10,000 in box 2 and a \$3,000 Pell grant in box 5. During your interview with Bill and Sue, you determine that \$5,000 was paid in September 2016 for the fall semester; \$3,000 was paid by Pell Grant and \$2,000 was paid by loan proceeds. Also, \$5,000 was billed in December for the Spring 2017 semester, which was paid in January 2017. They paid \$500 for books in 2016. To calculate the eligible expenses for their credit, take the \$5,000 (\$3,000 grant + \$2,000 loan) paid in 2016 plus the \$500 for books and enter on line 1 of the worksheet above. The \$3,000 will be entered on line 2a. The line 3 amount would be \$3,000. Subtracting line 3 from line 1, you get qualified education expenses of \$2,500. In this same example, if the taxpayers opted to include all the income as wages, they wouldn't have any adjustments to subtract to determine their expenses.

Note: If the student doesn't have a copy of their student account statement, ask them to go online thru their College or University to get this information.