

Tell me more about the 1098-T

What is a 1098-T form?

The 1098-T form reports information on what you paid in tuition expenses at a college or university. All colleges and universities are required by the Internal Revenue Service to provide you with this information.

Why should I care?

The 1098-T form provides the details that can help you (or your parents/guardians) claim a tax credit for the tuition expense for higher education. A tax credit is different from a deduction. A deduction reduces the amount of income you have to pay tax on; a credit reduces the final amount of income tax you need to pay. (Source: Internal Revenue Service at <http://www.irs.gov/publications/p970/ch03.html#d0e3766>; retrieved April 8, 2013.)

What tax credits are available?

Two sources of credits are available, but you can only claim one. The Lifetime Learning Credit allows you to claim up to a \$2000 credit on your income tax and the American Opportunity Credit (also called the HOPE Grant) allows you to claim a \$2,500 credit. According to the IRS, you are eligible if:

- You pay qualified education expenses of higher education.
- You pay the education expenses for an eligible student.

The eligible student is yourself, your spouse, or a dependent for whom you claim an exemption on your tax return. ...and you have evidence of qualified expenses for higher education. These include, according to the IRS: "Tuition and fees required for enrollment or attendance (including amounts required to be paid to the institution for course-related books, supplies, and equipment)." (Source: Internal Revenue Service at <http://www.irs.gov/publications/p970/ch03.html#d0e3766>; retrieved April 8, 2013.)

Both credits have some conditions attached to them regarding number of years you are eligible for the credit, household income, etc. For more information about these differences, contact your income tax professional preparer or visit the IRS site, specifically

http://www.irs.gov/publications/p970/ar02.html#en_US_2012_publink1000255787.

What do I do with it?

Keep these forms with your records. You may wish to use them when you prepare next year's income tax return.