



## Why Did I Receive a Form 1098-T?

If you are a college student, you'll probably get a 1098-T form, a tuition statement sent from your college or university, right around tax time. (Note: This form is an IRS form, not a form not a college-published form.) To help you understand what this form is all about, I've outlined what this IRS tax form reports and how it affects your taxes.

### What is a 1098-T?

Your 1098-T form, sometimes dubbed as the "college tax form" will show you the amount you paid for qualified education expenses (in Box 1). The amount is reported by the school to you and the IRS.

# Qualified Expenses Included on the 1098-T Tax Form

Tuition and fees at eligible institutions are considered qualified expenses that might appear on your 1098-T form. They can also include certain course materials if required for enrollment.

However, other expenses, like room and board, transportation and similar personal costs are not qualified. So, amounts for those expenses will not be reflected on your Form 1098-T. Also, tuition for continuing education courses that are not taken for academic credit, or that are sports or hobby related may not be qualified expenses.

## What is an Eligible Institution?

An eligible educational institution can be a college, university, vocational school, or other institution. The school must be eligible to participate in the Department of Education's student aid programs. (View the [full list of eligible institutions](#).)

## What Should You Do with Form 1098-T?

The information on the form is required to be reported and needed for you to claim education credits or tuition and fees deduction on your tax return. There are two education credits (discussed below) that can be worth thousands of dollars. Using the information on the 1098-T form will let you calculate the credit you (or, sometimes, your parents) can claim on your tax return.

## Education Credits and Deduction

There are two education credits you may be eligible for based on your qualifying expenses:

- The [American Opportunity Tax Credit](#) can be worth up to \$2,500. And, because the credit is partially refundable (up to 40%), you (or your parents) could get a refund even if you don't owe any taxes. That's right, the government could send you a check, up to \$1,000 to help with your education expenses. Students who are under age 24 usually don't qualify for the refundable credit, but their parents may qualify. This credit only applies to undergraduate tuition and is limited to

four years. You must be enrolled at least half time in a degree program to claim this credit. Half-time status is determined by the college and is shown on the Form 1098-T.

- The other credit is the Lifetime Learning Credit, which works for undergraduate or graduate tuition and does not require a course load or enrollment in a degree program. This is a credit of up to \$2,000, and while it's not refundable, it's still a great way to reduce the tax you owe.
- Tuition and Fees Deduction. Allows up to \$4,000 deduction for qualified higher education expenses. This deduction was extended for years 2018-2020.

## Adjustments Shown on 1098-T, *Student Loan Interest Statement and Tuition Statement*

Your 1098-T form also reflects changes to your educational expenses from the prior year. One example is if you withdrew from a college course and received a refund. Another example is if you received a scholarship that reduced what you would have owed.

- Box 4 shows any adjustments that your school made for a prior year's qualified expenses. If you have an amount showing in Box 4 of your 1098-T, it may reduce your allowable education credit claimed for the prior year. That, in turn, may result in an increased tax liability for the current tax year.
- Box 6 shows adjustments to scholarships or grants you received for a prior year. This amount may affect the education benefits you claimed for the prior year. You may have to file an amended income tax return (Form 1040X) for the prior year.

Note: qualified tuition expenses paid for with an education loan is still eligible for the education credits.