

## How the 1098-T affects the IRS and you...

Every eligible college or university, in which you have enrolled, must furnish you with a 1098-T. This statement is provided to assist you in determining your taxable scholarships and grants **or** the amount you (or the person who claims you as a dependent) may be able to take as a deduction or education credit.

- If your total grants, scholarships, and the amount paid by a third party **exceed** your tuition, fees, and required course materials, you (or the person who claims you as a dependent) *may not* take a deduction or receive an education credit. Instead, you may have taxable income. Use the following worksheet to determine the taxable amount:

Total scholarships and grants	_____	
Tuition/fees paid by 3 <sup>rd</sup> party	+ _____	
Total		_____ (A)
Total tuition and *fees	_____	
Books (from receipts)	+ _____	
*Required supplies (from receipts)	+ _____	
Total		_____ (B)
Taxable amount (A-B)		_____

If you file a Form 1040 or Form 1040A, add the taxable amount to any W-2 amount on line 7. Then write "SCH" and the taxable amount in the space to the left of line 7. If you file Form 1040EZ, add the taxable amount to any W-2 amount on line 1. [NOTE: If you apply for financial aid, specify this amount in "d." under Additional Financial Information of the Free Application for Federal Student Aid (FAFSA).]

or

- If your tuition, fees, and required course materials **exceed** your scholarships, grants, and amount paid by a third party, the difference is a *qualified expense*. You (or the person who claims you as a dependent), may be able to take **either** the tuition and fees deduction, up to \$4,000 [See line 34--Form 1040; attach Form 8917] **or** an education credit (American Opportunity Credit, up to \$2,500 per student or Lifetime Learning Credit, up to \$2,000) [See line 49--Form 1040; attach Form 8863] If you apply for financial aid, specify the amount of the education credit in "a." under Additional Financial Information of the Free Application for Federal Student Aid (FAFSA).

Total tuition and *fees	_____	
Books (from receipts)	+ _____	
*Required supplies (from receipts)	+ _____	
Total		_____ (A)
Total scholarships and grants	_____	
Tuition/fees paid by 3 <sup>rd</sup> party	+ _____	
Total		_____ (B)
Qualified expense (A-B)		_____

\*Student activity fees and expenses (books, supplies, and equipment) are included as qualified education expenses *only if* the fees and expenses are required of all students in the course of instruction.