Questions for College Students

This is a summary sheet. There are exceptions. Use reference materials or ask your site coordinator for help if necessary

1). Can the person be a **dependent** on another's tax return?

- Full time student = the child must be enrolled for the number of hours or courses the school considers to be full time AND must be a student for at least five months during the year.
- Support: Check if student paid over ½ of their own support
  - Student may have provided any of the following types of support:
    - Student's income: wages, unemployment, etc.
    - Student loans taken out that year (don't include scholarships); if co-signed by parent only include ½ of the loan amount.
    - SSDI and Social Security (if in student's name); don't include SSI
    - Funds withdrawn from student's savings account for education
    - Monetary gifts used for student's education (other than from parents)
  - Parent may have provided the following types of support
    - Income. Divide parents' total income by number of people in household to get an estimate on how much could be spent on each person
    - Student loans – if the parent co-signed, then both the student and parent provided equally.
  - Pub 4012 has support worksheet if needed
- Residency: away from home for school or internships counts as a temporary absence. If student lived with parents during summer and/or breaks, that counts as living with parent for more than 6 months.

If student **can** be claimed (even if the parents don't claim the student) mark *"can be claimed on another person's return"* on the Personal Information page on TaxSlayer (under basic information). If student **is** claimed as a dependent, the parent claims the education credits.

2) Check **1098-T** Form

- If student doesn't have it, see if she/he can obtain it on his/her college online account. If not, they might need to make another appointment to come back.
- If box 4 or 6 has adjustment amounts in it or box 7 is checked, get help from an advanced preparer.
- If taxpayer does not agree with the amounts on the 1098-T form, a more thorough review of the student account over the past three semesters can be used to make adjustments. This should be tackled by an advanced preparer.

3) As a **general** rule, if box 1 is greater than box 5, the student is probably eligible for an education credit. If box 5 is greater, the student may have taxable scholarship income.

Box 1 > Box 5 = Education Credit

Box 5 > Box 1 = Taxable scholarship income

Scholarship Income

Box 5 – (box 1 + books) = Scholarship income

Scholarship income is always reported on the student's return, whether or not they are claimed as a dependent.

Reference Materials for education credits: IRS Pub 970, 4012 Tab J, NCTC "Determining Qualifying Expenses"

Subtract tuition, fees (box 1 on 1098T) and books amount from total amount of scholarships and grants. Student will have to self-report amount spent on books. This amount will be added to the wages on Form 1040, line 1. In most cases, scholarship income is not taxable to the state and local. TaxSlayer will not include the scholarship income on the PA-40 (line 1) or the local taxes.

See Pub 4012, Page J-1 for more information and a worksheet to calculate scholarship income.

Education Credits or Tuition Deduction

Comparison of Education Benefits

American Opportunity Credit	Lifetime Learning Credit	Tuition and Fees Deduction
For first 4 years of post secondary education only	For all years of post secondary education and courses to improve job skills	For all years of post secondary education
Undergrad only	Doesn't have to pursue a degree	Undergrad & grad students
Enrolled ½ time for 1 academic period or more	For 1 or more courses	For 1 or more courses
No felony conviction	No restriction	No restriction
Up to $2500/student {Note: if 2 students, could go up to $5000}	Up to $2000 /return	reduce taxable income up to $4000 {maximum refund usually under $1000}
If no taxes owed, up to $1000 refundable/student	Non refundable	Non refundable

Reported on parents' return if student is claimed as a dependent. If student is not claimed (even if they could be), the student claims the credit.

***In some cases, scholarships can be used for Room & Board and other expenses (instead of tuition and fees) and be scholarship income for the student; then the entire tuition and fees paid can be taken as a credit on the parents' return. This might be a more advantageous way for some of our taxpayers but additional information will be needed from the taxpayer. Ask a more advanced preparer for help.**

American Opportunity Credit (AOC)

- If student qualifies, this is usually the best option.
- To enter on TaxSlayer: Under deductions go to Credits menu and click on Education credits
- Enter qualified expenses. [Tuition and fees (box 1) + Books – scholarships and grants (box 5)]

If a student under age 24 is claiming the AOC (not parents) make sure they qualify for the refundable part. **To qualify, the answer will be yes.**

Are you eligible for the refundable portion of the American Opportunity Credit? *

Reference Materials for education credits: IRS Pub 970, 4012 Tab J, NCTC "Determining Qualifying Expenses"

Answer NO if 1, 2, & 3 apply to you:
1: You were:
a) Under age 18 at the end of the year, or
b) Age 18 at the end of the year and your earned income was less than one-half of your support, or
c) A full-time student over age 18 and under 24 at the end of the year and your earned income was less than one-half of your support.
2: At least one of your parents was alive at the end of the year.
3: You are not filing a joint return for the year.

Lifetime Learning Credit

- Generally used for graduate and part-time students. This can also be used for a single course that will improve job skills.
- Since this is a nonrefundable credit, it will only benefit the TP if taxable income (line 11b on the 1040) is greater than 0.
- Books are not included.
- To enter on TaxSlayer: Same form as AOC.
- Enter Qualified Expenses [Tuition and fees (box 1) – scholarships and grants (box 5)] TaxSlayer will calculate amount of credit.

Tuition and Fees Deduction – rarely beneficial for our taxpayers; better for higher incomes

- Reduces AGI and taxable income, so only helpful if taxable income (line 11b on the 1040) is greater than 0.
- Compare refund result with Lifetime Learning Credit. Credit is generally more beneficial.
- To enter on TaxSlayer: Same form as AOC.
- Enter Qualified Expenses [Tuition and fees (box 1) – scholarships and grants (box 5)] TaxSlayer will calculate amount of deduction.

PA Schedule SP- for PA state taxes, if taxpayer is a dependent on their parent's return, they can **only** get tax forgiveness if their parent also gets tax forgiveness on their return **and** on PA Sch SP Part C: Eligibility Income, line 9, all nontaxable educational assistance, which includes scholarships and grants (do not subtract tuition & fees), is added. If parent is eligible for Tax Forgiveness include parent's name and SSN on Schedule SP. Often the student needs to call their parent to get this information.

Reference Materials for education credits: IRS Pub 970, 4012 Tab J, NCTC "Determining Qualifying Expenses"