



# IRS Form 1098-T update

AICUM

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# Agenda

- 2017 1098-T
- History
- More Recent History
- IRS Proposed Rules
- 1098-T instructions and definitions
- Other considerations
- Questions

# 2017 1098-T

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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	<b>2017</b>	<b>Tuition Statement</b>
		2 Amounts billed for qualified tuition and related expenses \$	Form <b>1098-T</b>		
FILER'S federal identification no.	STUDENT'S taxpayer identification no.	3 Check if you have changed your reporting method for 2017		<b>Copy A</b> For <b>Internal Revenue Service Center</b>  File with Form 1096.  For Privacy Act and Paperwork Reduction Act Notice, see the <b>2017 General Instructions for Certain Information Returns.</b>	
	<input type="checkbox"/>	<input type="checkbox"/>			
STUDENT'S name		4 Adjustments made for a prior year \$	5 Scholarships or grants \$		
Street address (including apt. no.)		6 Adjustments to scholarships or grants for a prior year \$	7 Check this box if the amount in box 1 or 2 includes amounts for an academic period beginning January—March 2018 ▶ <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 Check if a graduate student . . . . . <input type="checkbox"/>	10 Ins. contract reimb./refund \$		

Form **1098-T**

Cat. No. 25087J

[www.irs.gov/form1098t](http://www.irs.gov/form1098t)

Department of the Treasury - Internal Revenue Service

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# History

- The Taxpayer Relief Act (TRA) of 1997 added section 25A – Education Tax Credits
- Economic Growth and Tax Relief Reconciliation Act of 2001 added section 222 – Deduction for Qualified Expenses (no deduction if taxpayer claims credit)
- Final Regulations under section 25A were published on December 26, 2002 defining:
  - Qualified tuition and related expenses
  - Prepayment Rule
  - Refund rules
- The American Recovery and Reinvestment Act of 2009
  - American Opportunity Tax Credit (eventually replaced Hope Credit)

# History

- TRA also added Section 6050S – Information Reporting for Eligible Educational Institutions
  - Form 1098-T – Tuition Statement
  - Separately report adjustments to a prior year
  - Provides exceptions to the reporting requirements for students who are nonresident aliens, for noncredit courses, for certain billing arrangements, and in cases where qualified tuition and related expenses are paid entirely with scholarships or grants
  - Written statement to students – Name, address and phone number of the information contact at the institution
  - Requirements for soliciting the student's TIN

# History

- Sections 6721, 6722 and 6724 – Information Reporting Penalties and Penalty Relief
  - Section 6721 – Failure to timely file with the IRS
    - \$100 per failure, annual maximum penalty of \$1.5M
  - Section 6722 – Failure to timely furnish correct written statements to the student
    - \$100 per failure, annual maximum penalty of \$1.5M
  - Section 6724 – Penalties under 6721 and 6722 may be waived for reasonable cause

# More Recent History

- Trade Preferences Extension Act of **2015** amended for tax years beginning after June 29, 2015
  - Section 25A – No education tax credit allowed unless taxpayer receives a 1098-T
  - Section 222 – No deduction allowed unless taxpayer receives a 1098-T
  - Section 6724 – No penalty under section 6721 or 6722 solely by reason of failing to include the individual's TIN on a Form 1098-T if the institution contemporaneously certifies under penalties of perjury in the form and manner prescribed by the Secretary that it complied with the standards promulgated by the Secretary for obtaining the individual's TIN
    - Reasonable Cause
    - Special Reasonable Cause rules for failure to include a correct TIN (6050S)
      - Written solicitation for the TIN

# More Recent History

## Protecting Americans from Tax Hikes Act of 2015, Section 212

- Section 6050S(b)(2)(B)(i) amended by striking "or the aggregate amount billed." The Act changed the Form 1098-T, Tuition Statement, reporting requirements so that schools will be required to report only qualified tuition and related expenses actually paid. Before, schools choose between amounts paid and amounts billed. The provision was effective for expenses paid after December 31, 2015, for education furnished in academic periods after that date.
- Section 6721 and 6722 Penalties increased to \$250 per failure, annual maximum penalty is increased to \$3M.

## Announcement 2016-17

- The IRS will not impose penalties under IRC Sections 6721 or 6722 for the 2016 calendar year if the school reports the aggregate amount billed instead of aggregate amounts of payments received.

## Announcement 2016-42

- Notice extends 2016-17 relief for the 2017 calendar year.

# More Recent History

- Sections 6721, 6722 and 6724 – Information Reporting Penalties and Penalty Relief
  - Section 6721 – Failure to timely file with the IRS
    - \$250 per failure, annual maximum penalty of \$3M
  - Section 6722 – Failure to timely furnish correct written statements to the student
    - \$250 per failure, annual maximum penalty of \$3M
  - Section 6724 – Penalties under 6721 and 6722 may be waived for reasonable cause

# IRS Proposed Rules, August 2, 2016

## Highlights –

- No Section 25A credit or Section 222 deduction unless taxpayer receives 1098-T
- Required to report only qualified tuition and related expenses actually paid
- Identification Required – Student and Institution
- Only 1 exception remains – No academic Credit
- Prepayment Rule – New box expected indicating amount for next taxable year (3 months)
- Full-time Student rules – New box indicating number of months
- Reporting rules determining the amount of payments received for QT and RE in current year
- Instructions to students accompanying Form 1098-T
- Reporting rules for Scholarships and Grants, "administered and processed"

# 1098-T Instructions and Definitions

## Educational Institution (No Changes)

- You must file Form 1098-T if you are an eligible educational institution
  - An eligible educational institution is a college, university, vocational school, or other postsecondary educational institution that is described in section 481 of the Higher Education Act of 1965, and that is eligible to participate in the Department of Education's student aid programs. This includes most accredited public, nonprofit, and private postsecondary institutions.
  - An eligible educational institution that is a governmental unit, is subject to the reporting requirements of Form 1098-T. A designated officer or employee of the governmental entity must satisfy the reporting requirements of Form 1098-T.
  - If another person receives or collects payments of qualified tuition and related expenses on your behalf, the other person must file Form 1098-T. However, if the other person does not possess the information necessary to comply with the reporting requirements of Form 1098-T, then you must satisfy the reporting requirements of Form 1098-T.

# 1098-T Instructions and Definitions

## Eligible Student (Big Changes)

- You must file for every eligible student you enroll and for a whom a reportable transaction is made
- Exceptions for filing 1098-T
  - Courses for which no academic credit is offered, even if the student is otherwise enrolled in a degree program.
  - ~~Nonresident alien students, *unless requested by the student.*~~
  - ~~Students whose qualified tuition and related expenses are entirely waived or paid entirely with scholarships.~~
  - ~~Students for whom you do not maintain a separate financial account and whose qualified tuition and related expenses are covered by a formal billing arrangement between an institution and the student's employer or a governmental agency, such as the Department of Veterans Affairs or the Department of Defense.~~

*Academic credit is credit awarded by an eligible education institution for the completion of course work leading to a postsecondary degree, certificate, or other recognized postsecondary educational credential.*

- New information on full-time student

# 1098-T Instructions and Definitions

## Qualified Tuition and Related Expenses (Big Changes)

- Report qualified tuition and related expenses
  - Tuition, fees and course materials required for a student to be enrolled at or attend an eligible educational institution.
  - The following are **not** qualified tuition and related expenses:
    - Amounts paid for any course or other education involving sports, games or hobbies, unless the course or other education is part of the student's degree program or is taken to acquire or improve job skills.
    - Charges and fees for room, board, insurance, medical expenses (including student health fees), transportation, and similar personal, living, or family expenses.
- New Paid only
- New box indicating amounts paid for the first 3 months of next taxable year
- New instructions and clarification for determining the amount of payments

# 1098-T Instructions and Definitions

## Identification Numbers (Big Changes)

- Students identification number
  - Truncating on Form 1098-T – Pursuant to IRC Treasury Regulation section 301.6109-4, all filers of Form 1098-T may truncate a student's TIN (SSN, ITIN, ATIN, EIN) on payee statements. However, truncation is not allowed on any documents the filer files with the IRS.
  - A filer's TIN may not be truncated on any form.
  - **CHECK BOX** – If you solicited the student's TIN in writing (IRS Form W-9S or other Form), check the box. By checking the box and filing Form 1098-T with the IRS, you certify under penalty of perjury that you have in good faith complied with the standards in IRC Treasury Regulation section 1.6050S-1 governing the time and manner of soliciting the TIN of the student.
- No credit allowed if the student's TIN or the TIN of taxpayer claiming the credit is issued after the due date for filing the return for the taxable year
- No credit allowed if EIN of institution missing
- Non-resident Aliens TIN's required
- Special Reasonable cause penalty relief from Section 6724

# 1098-T Instructions and Definitions

## Scholarships or Grants (Big Change?)

- IRC Section 117 (a) – Gross income does not include any amount received as a qualified scholarship by an individual who is a candidate for a degree at an educational organization described in section 170(b)(1)(A)(ii).
- 117(b) – Qualified scholarship for purposes of this section –
  - (1) In General – The term "qualified scholarship" means any amount received by an individual as a scholarship or fellowship grant to the extent the individual establishes that, in accordance with the conditions of the grant, such amount was used for qualified tuition and related expenses.
  - (2) Qualified tuition and related expenses for purposes of paragraph (1) –
    - (A) tuition and fees required for the enrollment or attendance of a student at an educational organization described in section 170(b)(1)(A)(ii), and
    - (B) fees, books, supplies, and equipment required for courses of instruction at such an educational organization.
- New "administered and processed"

# 1098-T Instructions and Definitions

## Due Dates

- Due dates – Furnish Copy B of the Form 1098-T to the student by January 31, 2018.
  - Educational institutions may present the option to consent to receive Form 1098-T electronically as part of a global "Consent To Do Business Electronically," combining consent for electronic delivery of Form 1098-T along with other institutional business functions such as admissions, registration, billings, and direct deposits.
  - The global consent process must meet all the consent, disclosure, format, notice, and access period requirements for electronic furnishing of Forms 1098-T as required by IRC Treasury Regulation section 1.6050S-2.
- File Copy A of the form with the IRS by February 28, 2018.
  - If you file electronically, you must have software that generates a file according to the specifications in IRS Publication 1220.
  - Due date April 2, 2018 if electronically filed.

# Other Considerations

- Planning and review
- W-9S initiatives
- Identification numbers
- NRA policy
- When mistakes or adjustments happen
- Customer Service

# Why 1098-T? Education Tax Credits

## American Opportunity vs. Lifetime Learning

	American Opportunity Credit	Lifetime Learning Credit
Maximum credit	Up to \$2,500 credit per <b>eligible student</b>	Up to \$2,000 credit per <b>return</b>
Limit on modified adjusted gross income (MAGI)	\$180,000 if married filling jointly; \$90,000 if single, head of household, or qualifying widow(er)	\$130,000 if married filling jointly; \$65,000 if single, head of household, or qualifying widow(er)
Refundable or nonrefundable	40% of credit may be refundable	Credit limited to the amount of tax you must pay on your taxable income
Number of years of post-secondary education	Available <b>ONLY</b> for the first <b>4</b> years of postsecondary education	Available for all years of postsecondary education and for courses to acquire or improve job skills
Number of tax years credit available	Available <b>ONLY</b> for <b>4</b> tax years per eligible student	Available for an unlimited number of years
Type of degree required	Student must be pursuing an undergraduate degree or other recognized education credential	Student does not need to be pursuing a degree or other recognized education credential
Number of courses	Student must be enrolled at least half time for at least one academic period beginning during the tax year	Available for one or more courses
Felony drug conviction	No felony drug convictions on student's records	Felony drug convictions are permitted
Qualified expenses	Tuition and required enrollment fees. Course-related books, supplies, and equipment <b>do not</b> need to be purchased from the institution in order to qualify.	Tuition and required enrollment fees, including amounts required to be paid to the institution for course-related books, supplies, and equipment.
Payments for academic periods	Payments made in 2017 for academic periods beginning in 2017 and in the first 3 months of 2018	



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