

2010 EDUCATION TAX CREDIT (FORM 1098-T/LIFETIME LEARNING TAX CREDIT)

Summary:

The Taxpayer Relief Act of 1997 (TRA '97) created the Lifetime Learning Credit for students enrolled in higher education courses (or an individual claiming the student as a dependent) who made out-of-pocket payments for qualified education expenses such as tuition and fees required for enrollment, course-related books, supplies, and equipment.

UC San Diego is required to report tuition and fee information to the IRS. The university annually prepares the 1098-T for this purpose, and a copy is sent to your permanent address by mid-February. You may also receive the 1098-T electronically, for instructions go to: <http://registrar.ucsd.edu/studentlink/OptiontoReceive1098.html>. The 1098-T is sent to graduate students who may or may not be eligible to claim the Lifetime Learning Tax Credit.

You may claim the lifetime learning credit by completing Parts II and IV of Form 8863 and submitting it with your Form 1040 or 1040A. Enter the credit on Form 1040, line 49, or Form 1040A, line 31.

International students on F-1 or J-1 visas who file taxes as nonresident aliens, and complete Federal Tax Form 1040NR or 1040NR-EZ, are not eligible to claim the Lifetime Learning Tax Credit.

The Lifetime Learning Credit is:

- ✓ A federal income tax credit for higher education.
- ✓ Equivalent to 20% of the first \$10,000 of qualified education expenses paid by a graduate student, or someone claiming the student as a dependent.
- ✓ The maximum credit is \$2,000 per tax year.
- ✓ Nonrefundable – credit limited to the amount of tax you must pay on your taxable income.
- ✓ Available for an unlimited number of years.

Which fees are considered “Qualified Education Expenses”:

- ✓ Payments made to the university by the graduate student (or, if a dependent, the taxpayer who claims you as a dependent) from wages (salary), stipends, loans, gifts, inheritances, or personal savings for tuition, fees, (*excluding health insurance*) and other qualified education expenses.
- ✓ For a comprehensive list of eligible expenses go to: http://registrar.ucsd.edu/StudentLink/tra_qualfees.html

Who **MAY** be eligible to claim the Lifetime Learning Tax Credit:

- ✓ You, If you paid qualified education expenses of higher education.
- ✓ An individual who paid the qualified education expenses for an eligible student.

An eligible student is either yourself, your spouse, or a dependent for whom you claim as an exemption on your tax return.

Who is **NOT** eligible to claim the Lifetime Learning Tax Credit:

- ✓ A graduate student who did not make any out-of-pocket payments for qualified education expenses.
- ✓ A graduate student whose qualified education expenses were paid by UCSD such as tuition/fee scholarships, tuition/fee payments from fellowships and traineeships, and fee payments for TAs and GSRs.
- ✓ An international student who was a nonresident alien for any part of 2010, and the nonresident alien did not elect to be treated as a resident alien for tax purposes.
- ✓ Your modified adjusted gross income is \$60,000 or more (\$120,000 or more in the case of a joint return).

Additional Lifetime Learning Credit information is available at:

- UCSD TritonLink website:

<http://www.ucsd.edu/current-students/index.html> (search for "Tax Credits for Education Expenses")

-General information about the credit

-List of qualifying expenses

-Form 1098-T Electronic format

-Help with questions about Form 1098-T

- Office of Graduate Studies (OGS) web at:

<http://ogs.ucsd.edu/financial-support/taxes/graduate-student-taxinfo.html>

-Fee and Tuition Charts (also refer to the Full/Partial Tuition/Fee charts)

-IR/PS and other professional students must click on "Office of the Registrar – Official Schedule"

- IRS Publication 970, Tax Benefits for Higher Education, on the web at:

<http://www.irs.gov> (type in Publication 970) Refer to Chapter 3.

-Description of Lifetime Learning Credit

-Qualifying expenses

-Examples of students claiming credit

-Claiming credit and completed 8863 Form

- IRS Form 8863, Education Credits (Hope and Lifetime Learning Credits), on the web at:

www.irs.gov (type in Form 8863)

- Tax Credit Reporting Services/1098-T:

www.1098-T.com

-Log-in to your account, select "Form 1098-T w/Financials" and scroll down.

-Part 1 will provide a complete listing of "Payments Received for Tuition and Related Expenses".

-Part 2 will reflect (by transaction date) the financial details of "Scholarships or Grants", "Fellowships", "Traineeships" and "Other" awards.

TAX YEAR 2010 – INFORMATION FOR DETERMINING LIFETIME LEARNING TAX CREDIT (EXCLUDING STUDENTS IN DEPARTMENTS WITH PROGRAM OR PROFESSIONAL FEES):

Step 1: Determine your out-of-pocket expenses for the period 1/1/10 – 12/31/10. Depending on when you enrolled and paid fees, you would generally include payments for Spring 2010, Summer 2010, Fall 2010, and Winter 2011 (W'11 fees were due 12/15/10).

If you paid the entire amount of your fees and tuition (CA nonresidents), you can select the amounts from the following three categories below:

You may also contact OGS at (858) 534-3727 for assistance in determining your out-of-pocket payments.

CA Resident Fees (less health) =

S'10; F'10; W'11 = \$3,147.50; \$3,614.50; \$3,614.50 = \$10,376.50 Total

CA Nonresident (Not advanced to Ph.D. candidacy) = Fees (less health) + Tuition =

S'10; F'10; W'11 = \$3,264.50 + \$4,898.00; \$3,750.50 + \$4,898.00; \$3,750.50 + \$4,898.00 = \$25,459.50 Total

CA Nonresident (Advanced to Ph.D. candidacy and within 9 quarter limit) = Fees (less health) =

S'10; F'10; W'11 = \$3,264.50; \$3,750.50; \$3,750.50 = \$10,765.50 Total

Step 2: You may also add to this amount any out-of-pocket payments you made in 2010 for Course Material Fees, Course Laboratory Fees, Summer Session(s) Fees or other qualified expenses.

Step 3: Complete IRS Form 8863 to figure and claim the credit and attach it to IRS Form 1040A or 1040.

ELIGIBLE EXAMPLE:

A U.S. citizen who is a **California resident**, and was appointed as a Teaching Assistant S'10, F'10 and W'11 at 25% time or more. Student receives TA fee payments and paid the balance of registration fees with cash or loan funds (including TA Fee Deferment Loan). Student did not receive any fellowship stipend funds.

Student may be eligible to claim the Lifetime Learning Tax Credit (if meets all other eligibility criteria). Calculations are as follows:

\$3,147.50 = S'10 qualified UCSD registration expenses (fees less health insurance)

\$2,967.00 = S'10 TA fee payment (TAFE) student received

\$3,147.50 minus \$2,967.00 = **\$180.50** --- amount of qualified education expense student paid in cash or loans

\$3,614.50 = F'10 qualified UCSD registration expenses (fees less health insurance)

\$3,434.00 = F'10 TA fee payment (TAFE) student received

\$3,614.50 minus \$3,434.00 = **\$180.50** --- amount of qualified education expense student paid in cash or loans

\$3,614.50 = W'11 qualified UCSD registration expenses (fees less health insurance)

\$3,434.00 = W'11 TA fee payment (TAFE) student received

\$3,614.50 minus \$3,434.00 = **\$180.50** --- amount of qualified education expense student paid in cash or loans

Total paid out-of-pocket for qualified registration expenses for the 2010 tax year:

S'10 (**\$180.50**) + F'10 (**\$180.50**) + W'11 (**\$180.50**) = **\$541.50**

If the student meets all other eligibility criteria according to IRS Publication 970 and IRS Form 8863 (and did not pay any other "qualified expenses," such as Course Laboratory and Materials Fee or Summer Session fees), the **total Lifetime Learning Tax Credit** is $\$541.50 \times .20 = \underline{\underline{\$108.30}}$

INELIGIBLE EXAMPLES:

Example 1: Graduate student has S'10, F'10 and W'11 appointments as a 25% Graduate Student Researcher and is eligible for GSR Tuition and Fee Remission (full tuition/fees are paid).

Student had no "out-of-pocket" tuition/fee expenses and is not eligible to claim the Lifetime Learning Tax Credit for registration expenses.

Example 2: Graduate student has S'10, F'10 and W'11 appointments as a 25% Teaching Assistant. Student received TA fee payments (TAHI/TAFE) and department awarded the student a partial tuition/fee scholarship for S'10, F'10 and W'11 which paid the entire balance of required tuition/fees.

Student had no "out-of-pocket" tuition/fee expenses and is not eligible to claim the Lifetime Learning Tax Credit for registration expenses.

Education Credits
(Hope and Lifetime Learning Credits)

▶ See instructions.
▶ Attach to Form 1040 or Form 1040A.

OMB No. 1545-0074

2006

Attachment
Sequence No. **50**

Name(s) shown on return

Your social security number

Example: Single graduate student (not in a department with a program or professional fee) claiming Lifetime Learning Credit for 2006 tax year.

A graduate student (CA resident) has a F'06 and W'07 appointment as a 50% Teaching Assistant. The student receives TA fee payments (TAHI/TAFE). The student paid the balance of registration fees during 2006 with cash or loan funds (including TA Fee Deferment Loan). The student did not receive any fellowship stipend funds during the 2006 tax year.

The student may be eligible to claim the Lifetime Learning Tax Credit (if meets all other eligibility criteria). The calculations are as follows:

\$2440.50 = F'06 qualified UCSD registration expenses (Full fees less graduate student health insurance)

\$2299.00 = F'06 TA Fee Payment (TAFE) student received

\$2440.50 - \$2299 = \$141.50 (amount of qualified education expenses student paid in cash or loan funds)

W'07 - The same calculations as above; \$2440.50 - \$2299 = \$141.50. Balance of fees paid by the student on 12/20/06 (or on or before the end of the taxable year; 12/31/06).

F'06 (\$141.50) + W'07 (\$141.50) = \$283 total amount of qualified registration expenses the student paid in cash or loan funds for the 2006 tax year. If the student meets all other eligibility criteria according to IRS Publication 970 and IRS Form 8863 (and did not pay any other "qualified expenses" such as Course Laboratory and Materials Fee), the total Lifetime Learning credit is \$283 x 20% = \$56.60

Part II Lifetime Learning Credit

3	(a) Student's name (as shown on page 1 of your tax return)	(b) Student's social security number (as shown on page 1 of your tax return)	(c) Qualified expenses (see instructions)
	First name <u>Example</u>	Last name <u>Student</u>	
		<u>123 45 6789</u>	<u>283</u>
4	Add the amounts on line 3, column (c), and enter the total		<u>283</u>
5a	Enter the smaller of line 4 or \$10,000		<u>283</u>
b	For students who attended an eligible educational institution in the Gulf Opportunity Zone, enter the smaller of \$10,000 or their qualified expenses included on line 4 (see special rules on page 3)		
5b			
c	Subtract line 5b from line 5a		<u>283</u>
5c			
6a	Multiply line 5b by 40% (.40)		
6a			
b	Multiply line 5c by 20% (.20)		<u>56.60</u>
6b			
c	Tentative lifetime learning credit. Add lines 6a and 6b and go to Part III		<u>56.60</u>
6c			

Part III Allowable Education Credits

7	Tentative education credits. Add lines 2 and 6c		<u>56.60</u>
8	Enter: \$110,000 if married filing jointly; \$55,000 if single, head of household, or qualifying widow(er)		
9	Enter the amount from Form 1040, line 38*, or Form 1040A, line 22		
10	Subtract line 9 from line 8. If zero or less, stop ; you cannot take any education credits		
11	Enter: \$20,000 if married filing jointly; \$10,000 if single, head of household, or qualifying widow(er)		
12	If line 10 is equal to or more than line 11, enter the amount from line 7 on line 13 and go to line 14. If line 10 is less than line 11, divide line 10 by line 11. Enter the result as a decimal (rounded to at least three places)		<u>x</u>
13	Multiply line 7 by line 12		
14	Enter the amount from Form 1040, line 46, or Form 1040A, line 28		
15	Enter the total, if any, of your credits from Form 1040, lines 47 through 49, or Form 1040A, lines 29 and 30		
16	Subtract line 15 from line 14. If zero or less, stop ; you cannot take any education credits		
17	Education credits. Enter the smaller of line 13 or line 16 here and on Form 1040, line 50, or Form 1040A, line 31		

* If you are filing Form 2555, 2555-EZ, or 4563, or you are excluding income from Puerto Rico, see Pub. 970 for the amount to enter.

Finish
Completing
Lines 8-17