

# Worksheet Instructions for College Tuition Credits or Deductions, Student Loan Interest and, Private School Tuition subtraction (Wisconsin Only - grades K-12)

## PLEASE READ THROUGH ALL SECTIONS !!

**College Tuition Credits;** The American Opportunity Credit and the Lifetime learning Credit are the two remaining tuition credits starting with the 2017 tax returns. The key to either of these tax benefits is the information return form 1098T issued to your student and the IRS, as well as the detailed tuition account statements (showing tuition being billed *and* payments as they are made) from the school. Every year we need information from the 1098T and the statements and can no longer estimate or just use the statements alone. The problem is that these documents are usually sent to your student who, unless they are local and still living at home, is living on campus in another city or even state. Your student may not know to send these to you or to safeguard them, so you must alert them to be on the lookout for them and if they are missing or lost they have to get replacements before we can prepare your return. Look at the sample 1098T on page 3. Unfortunately the legislation creating these credits and the 1098T rules allow the school to report EITHER the tuition *billed (shown in box 2)* OR the tuition *received and paid, (shown in box 1)*... yet the credits are based **ONLY** on the amounts actually paid in the calendar year. Most schools take the easy way out and report the tuition billed. This means that they will include the Spring semester tuition on your 1098T that they billed you in December. However, most people don't pay this until financial aid comes in at some point the next year which shows as a payment on that years account statement. This means we have to adjust for that situation and also add in tuition from a prior year reported in the same fashion. THIS is why we also need the actual account statements from the school showing the postings of tuition billing and actual payments made. The IRS is now requiring you to tell them about these adjustments as well as all other details and information from the 1098T, and they are issuing letters requiring proof of amount paid and when they were paid, so we can no longer "wing it". We **MUST** have both the 1098T **AND** the account statements. Please alert your students to provide these documents AND also remind them NOT to file their own returns by themselves before you have a chance to file yours. **If they accidentally claim themselves on their own return it will block you from being able to file your return electronically.**

**Student Loan Interest Deduction;** Your student...or you, should receive form 1098E documenting this. A sample is included on page 4 for your reference. If you not receive this you must call and get it as we cannot do the return without it. Some agencies require you to go online and retrieve it and do not mail it out. Check with your loan provider. Another important issue is the question of who takes the deduction. To qualify for the deduction, you have to not only have been the one who paid the interest, you must also be liable for the loan. Where this becomes a problem is when the student (or former student) doesn't have the money to pay, who steps in?? You are correct...mom and dad do. However, if the loan is in the student's name alone and mom and dad are not co-signers, then **NOBODY** gets the deduction...ie the student can't because he/she did not pay it and the parents can't because they are not liable on the loan. In such a case it is better for the parents to gift money to the student who can then make the payment and can prove they did so via cancelled check. Some schools give the loans directly and often do NOT require the parents to co-sign, but other schools make you go through a local lender for the loan and these types of loans usually DO require the parent to co-sign. It is also possible for the loan to be in the student's name and they make the payments, but if they have low income they may not be able to make much use of the deduction. In such a case the parent's can't take the deduction even if they are co-signing because they did not make the payments. You must bring in your original loan documents to verify this if you are in such a situation. Some loans are only in the parents name (called the Parent Plus loan) and it is OK for them to take the deduction as long as they are also making the payments. These are computer matched and if the students SSN is on the 1098E and the parent takes the deduction, there will be an IRS notice issued and the parent will have to prove they are liable on the loan.



### **Private School Tuition Subtraction – Wisconsin Only**

Starting with the 2014 returns, parents are allowed a subtraction from income, for Wisconsin purposes only, of tuition paid for a dependent child to attend a private school. The child must be a dependent on your return. If your child is an Elementary Pupil (grades K – 8) the subtraction is limited to \$4000 *per pupil*, and if your child is a Secondary Pupil (grades 9-12) the subtraction limit is \$10,000 *per pupil*. If your child was in 8<sup>th</sup> grade in spring and 9<sup>th</sup> grade in fall, then the limit is tuition up to \$4000 for the time in 8<sup>th</sup> grade, plus the tuition for 9<sup>th</sup> grade but capped at a maximum of \$10,000 overall. The subtraction is ONLY for tuition PAID DURING THE TAXABLE YEAR for the student. Tuition is defined as the amount paid for tuition to attend and mandatory book fees ONLY. No other supplies, meals, etc. etc. are allowed nor are amounts paid for with any type of voucher. (see excerpt below)

**PROBLEM ISSUES** – The legislature made NO provision for any reporting by the schools, so there are no forms required to be sent out reporting the information needed to either you or the State. The tax form requires the Federal ID number of the school, and you must have a written record of the amount paid. The schools may or may not send you a statement and it is up to you to request such a statement of account, the school's Federal ID number and also proof of payment like cancelled checks or credit card statements. We DO NOT have this information and it is important that you get this information documented and brought along with you to avoid a delay in the completion of your return.

#### **From Form PS Instructions:**

Tuition includes any amount paid by the claimant for a pupil's tuition to attend an eligible institution and mandatory book fees paid to the institution.

Tuition does **not** include amounts paid with a voucher or any amounts paid as a separate charge for other items, such as:

- room and board
- supplies
- cap and gown fees
- rentals of equipment
- meals
- transportation
- registration fees
- building fees
- personal use items (e.g., uniforms, gym clothes, towels)
- before-school and after-school child care
- social and extracurricular activities, including musical or athletic activity fees
- high school classes not required for graduation and for which no credits toward graduation are given



☐ CORRECTED

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 \$ 2 Amounts billed for qualified tuition and related expenses \$	OMB No. 1545-1574 <b>2017</b> Form <b>1098-T</b>	<b>Tuition Statement</b>  <b>Copy B For Student</b>  This is important tax information and is being furnished to the Internal Revenue Service. This form must be used to complete Form 8863 to claim education credits. Give it to the tax preparer or use it to prepare the tax return.
FILER'S federal identification no.	STUDENT'S taxpayer identification no.	3 If this box is checked, your educational institution changed its reporting method for 2017 <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 Checked 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		8 Check if at least half-time student <input type="checkbox"/>	9 Checked if a graduate student <input type="checkbox"/>	
Service Provider/Acct. No. (see instr.)		10 Ins. contract reimb./refund \$		

Form **1098-T** (keep for your records) [www.irs.gov/form1098t](http://www.irs.gov/form1098t) Department of the Treasury - Internal Revenue Service

☐ CORRECTED (if checked)

RECIPIENT'S/LENDER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number		OMB No. 1545-1576 <b>2017</b> Form <b>1098-E</b>	<b>Student Loan Interest Statement</b>  <b>Copy B For Borrower</b>  This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if the IRS determines that an underpayment of tax results because you overstated a deduction for student loan interest.
RECIPIENT'S federal identification no.	BORROWER'S social security number	1 Student loan interest received by lender \$	
BORROWER'S name			
Street address (including apt. no.)			
City or town, state or province, country, and ZIP or foreign postal code			
Account number (see instructions)		2 If checked, box 1 does not include loan origination fees and/or capitalized interest for loans made before September 1, 2004 <input type="checkbox"/>	

Form **1098-E** (keep for your records) [www.irs.gov/form1098e](http://www.irs.gov/form1098e) Department of the Treasury - Internal Revenue Service