

American Opportunity Credit Scenarios

Scenario 1: (Total qualified educational expenses - Scholarships and Grants) > \$4,000.

Enter \$4,000 for qualified education expenses and no scholarship income is reported.

Example: 1098-T Box 1: \$13,000 Scholarships and grants: \$8,000 Books: \$300	Total Qualified expenses	\$13,300
	Less Scholarships and Grants	(\$8,000)
	Total	\$5,300
	Qualified education expenses for AOTC	\$4,000*

*\$5,300 > \$4,000, therefore only \$4,000 go towards AOTC. No taxable scholarship income to report.

Scenario 2 : 0 < (Qualified educational expenses-scholarships) < \$4,000

Option 1:

- Qualified Education Expenses used for AOTC = Total qualified education expenses - scholarships and grants
- No scholarship income to report.

Option 2:

- Qualified Education Expenses used for AOTC = QEE up to \$4,000.
- Taxable scholarship = AOTC Amount - (total qualified education expenses - scholarships and grants)

Example 1: 1098-T Box 1: \$13,000 Scholarships and grants: \$10,000 Books: \$300			
Option 1		Option 2	
Total Qualified expenses	\$13,300	Qualified Education expense for AOTC	\$13,300 > \$4,000, therefore use \$4,000
Less Scholarships and Grants	(\$10,000)	Less: Total Qualified education expenses - Total scholarships and grants	(\$13,300 - \$10,000) = (\$3,300)
Taxable Scholarships	0		
Amount used for AOTC	3,300	Taxable Scholarship	\$700

Example 2:
 1098-T Box 1: \$2,000
 Scholarships and grants: \$1,000
 Books: \$300

Option 1		Option 2	
Total Qualified expenses	\$2,300	Qualified Education expense for AOTC	\$2,300
Less Scholarships and Grants	(1,000)	Less: Total Qualified education expenses - Total scholarships and grants	(\$2,300-\$1,000)= (\$1,300)
Taxable Scholarships	0		
Amount used for AOTC	1300	Taxable Scholarship	\$1,000

Scenario 3 : Qualified educational expenses < scholarships

Option 1:

- Not claiming any qualified education expenses for AOTC.
- Taxable scholarship = scholarships and grants - Total qualified education expenses.

Option 2:

- Qualified Education Expenses used for AOTC = QEE up to \$4,000.
- Taxable scholarship = AOTC Amount + Scholarships and grants - total qualified education expenses

Example 3:
 1098-T Box 1: \$7,000
 Scholarships and grants: \$8,000
 Books: \$300

Option 1		Option 2	
Total Qualified expenses < Total scholarships and grants	\$7,300 < 8,000, so not claiming any AOTC	Qualified Education expense for AOTC	\$7,300 > \$4,000, therefore use \$4,000
Scholarships and grants	\$8,000	Add: Total scholarships and grants - Total Qualified education expenses	(\$8,000-\$7,300)= \$700
Less: Total qualified education expenses	\$7,300		
Taxable Scholarships	\$700	Taxable Scholarships	\$4,700