



# AccountingAidSociety

## Education Credit

# Education Credits

**Two Education Credits Available** based on qualified expenses a taxpayer pays for post-secondary education:

- **American Opportunity Tax Credit (AOTC)**
- **Lifetime Learning Credit (LLC)**

**To Claim the Credit for a Dependent's Expenses:**

- The taxpayer must claim the dependent on their tax return

**A Taxpayer Cannot Claim Education Credits If They:**

- Are claimed as a **dependent** on another person's tax return
- **File as Married Filing Separately (MFS)**
- Have **AGI above the phase-out limit** for their filing status

*2025 Phase-outs: Single \$80 000–\$90 000 | MFJ \$160 000–\$180 000 (Pub 4012 Tab J p. J-3).*

- Have a **spouse who was a nonresident alien** during any part of the tax year

# Cannot Claim Education Credits Examples

## Example – Can't Claim Credit Because of Dependent Status

**Situation:** Maria is a college student who earned some income from a part-time job. Her parents still claim her as a dependent on their tax return and also paid her tuition. Maria files her own return to get a refund of her withholding.

- **Result:** Maria cannot claim the AOTC or LLC because she is a dependent on her parents' tax return. Her parents can claim the credit instead.

## Example – Can't Claim Credit Because of Filing Status

**Situation:** John and Emily are married but file as **Married Filing Separately (MFS)**. Emily paid \$4,000 for tuition to finish her bachelor's degree.

- **Result:** Neither John nor Emily can claim the AOTC or LLC because the credits are **not available** to taxpayers filing MFS.

## Example 5 – Can't Claim Credit Because of Nonresident Alien Spouse

**Situation:** Jayden is married to Lina, who was a nonresident alien for part of the year. Jayden paid \$5,000 for his own graduate classes and files jointly with Lina.

- **Result:** They cannot claim the AOTC or LLC unless Lina elects to be treated as a U.S. resident for the entire year. Otherwise, the presence of a nonresident alien spouse makes them ineligible.

# Education Credits

An **eligible educational institution** is generally any accredited public, nonprofit, or private post-secondary school that is eligible to participate in student aid programs administered by the **U.S. Department of Education**.

## Includes:

- Accredited **public colleges and universities**
- Accredited **nonprofit institutions**
- Accredited **private for-profit schools**

*Note: Some foreign institutions qualify if they participate in U.S. Dept. of Education programs and issue a valid Form 1098-T when required.*

 This covers **virtually all accredited post-secondary institutions**

**Reference:** IRS Pub 4012, Tab J (Education Credits)

# Eligible Educational Institutions Examples

## Example– Public University

**Situation:** David attends the University of Michigan, a public university that participates in federal student aid programs.

- **Result:** Tuition David pays qualifies for the American Opportunity Tax Credit (AOTC) or Lifetime Learning Credit (LLC).

## Example– Private Nonprofit College

**Situation:** Sarah attends Harvard University, a private nonprofit institution. It is accredited and participates in federal student aid programs.

- **Result:** Her tuition and related qualified expenses are eligible for AOTC or LLC.

## Example– Private For-Profit School

**Situation:** Marcus attends the University of Phoenix, which is a private for-profit school accredited and participates in federal student aid programs.

- **Result:** Marcus' qualified expenses may still be eligible for education credits.

# American Opportunity Tax Credit (AOTC)

The AOTC provides a **maximum credit of \$2,500** per eligible student, per year.

## How the Credit is Calculated:

- **100%** of the first **\$2,000** in qualified education expenses
- **25%** of the next **\$2,000** in expenses  
(Totaling up to **\$2,500** per student)

 Credit is **per student**, not per return

**Up to 40 % (\$1 000 max) is refundable for 2025 (Pub 4012 Tab J p. J-5).**

**Reference:** IRS Pub 4012, Tab J (Education Credits)

# AOTC Requirements

- The American Opportunity Tax Credit is partially refundable. Up to 40% of the credit is refundable, which means the taxpayer can receive up to \$1,000 even if no taxes are owed. Requirements for the AOTC are as follows:
  - **Degree requirement:** The student must be enrolled in a program that leads to a degree, certificate, or other recognized educational credential. Taking classes merely for fun or recreation does not qualify.

**Example:** Maria is taking evening painting classes at her local community college because she enjoys art as a hobby. She is not pursuing a degree or certificate—she's just taking the class for personal enrichment.

- **Result:** Even though she pays tuition and receives a Form 1098-T, **she is not eligible** for education credits like the American Opportunity Credit or the Lifetime Learning Credit because the class is **not part of a program that leads to a degree or recognized credential**.
- **Why it doesn't qualify:**

The IRS requires the student to be enrolled in a program that leads to a degree, certificate, or other recognized educational credential. Since Maria is not in a credentialed program, her course doesn't meet that requirement.

# AOTC Requirements

- **Workload:** For at least one academic period of the year, the student must carry at least half of the normal full-time workload for his course of study

**Example:** Jason is enrolled in a community college pursuing an associate degree in accounting. At his school, a full-time course load is 12 credits per semester. In the fall semester, Jason takes 6 credits—**exactly half** of the full-time workload.

- **Why it qualifies:** Jason meets the **workload requirement** because he is enrolled in a program that leads to a degree **and** he is taking **at least half** of a full-time course load for one academic period. Therefore, he may be eligible for education credits like the American Opportunity Credit or the Lifetime Learning Credit (depending on other qualifications).

# AOTC Requirements

- **No felony drug conviction:** The student must not have any felony convictions for possessing or distributing a controlled substance

**Example:** Tina is a first-year college student pursuing a bachelor's degree and is otherwise eligible for the American Opportunity Credit. However, two years ago, she was convicted of a **felony for possessing a controlled substance.**

- **Why it does *not* qualify:** Despite meeting other requirements—such as being enrolled at least half-time in a degree program—Tina **cannot claim the American Opportunity Credit** because she has a **felony drug conviction** on her record. This rule applies specifically to the American Opportunity Credit, and **not** to the Lifetime Learning Credit.

# AOTC Requirements

- **Four years of postsecondary education:** The credit can be claimed only for expenses related to a student's post-secondary education and only for a maximum of four years.

**Example:** Alex is in his fifth year of college working toward a bachelor's degree. He claimed the **American Opportunity Credit** for each of his first four years of postsecondary education. In his fifth year, he still has qualifying expenses and receives a Form 1098-T from his university.

- **Why it does *not* qualify:** Even though Alex is still an undergraduate student and has education expenses, he **cannot claim the American Opportunity Credit** because he already claimed it for the **maximum of four tax years**. He may still be eligible for the **Lifetime Learning Credit**, which does not have a limit on the number of years claimed.

# AOTC Expenses

You can only claim education credits for expenses you actually paid out of pocket. If part of your tuition was covered by money you didn't have to pay back — like a **Pell Grant**, **tax-free scholarship**, or **money your employer paid for school** — you must subtract that amount before figuring your credit.

## Eligible Expenses (AOTC):

- **Tuition**
- **Required enrollment fees**
- **Books, supplies, and equipment** (even if not purchased from the school, if required)

## Not Eligible:

- **Room & board** (even if on-campus or required)
- **Medical expenses** (incl. student health fees)
- **Insurance costs**
- **Transportation**
- **Personal, living, or family expenses**

# Practice Scenario

Emily is a first-year college student pursuing a degree. In 2024, she paid the following:

- \$4,000 in **tuition**
- \$400 in **required fees**
- \$700 for **required books and supplies** (bought from an online retailer)
- \$3,500 for **on-campus housing and meals**
- \$250 for **transportation costs**
- She received a **\$2,500 Pell Grant** that was used toward her education.

## Question:

What is the correct amount of **qualified expenses** Emily can use to calculate her American Opportunity Credit after adjusting for tax-free aid?

- A. \$4,400
- B. \$5,100
- C. \$2,600
- D. \$8,850

# Practice Scenario

Emily is a first-year college student pursuing a degree. In 2024, she paid the following:

- \$4,000 in **tuition**
- \$400 in **required fees**
- \$700 for **required books and supplies** (bought from an online retailer)
- \$3,500 for **on-campus housing and meals**
- \$250 for **transportation costs**
- She received a **\$2,500 Pell Grant** that was used toward her education.

## Question:

What is the correct amount of **qualified expenses** Emily can use to calculate her American Opportunity Credit after adjusting for tax-free aid?

- A. \$4,400
- B. \$5,100
- C. \$2,600**
- D. \$8,850

### Explanation:

Eligible expenses:

- Tuition: \$4,000
- Required fees: \$400
- Books & supplies: \$700

Minus Pell Grant:  $\$5,100 - \$2,500 = \$2,600$

Room & board and transportation are **not** eligible expenses for AOTC

**Total eligible = \$5,100.**

# Practice Scenario

Daniel is in his second year of a certificate program at a community college. He had the following expenses:

- \$2,800 for **tuition**
- \$200 in **required enrollment fees**
- \$500 for **books required by his program**
- \$450 for **health insurance** through the school
- \$1,200 for **off-campus rent**
- He received **\$1,000 in employer-provided educational assistance (tax-free)**.

**Question:**

What is the **maximum amount of qualified education expenses** Daniel can use to calculate his AOTC?

- A. \$3,500
- B. \$2,500
- C. \$4,700
- D. \$3,000

# Practice Scenario

Daniel is in his second year of a certificate program at a community college. He had the following expenses:

- \$2,800 for **tuition**
- \$200 in **required enrollment fees**
- \$500 for **books required by his program**
- \$450 for **health insurance** through the school
- \$1,200 for **off-campus rent**
- He received **\$1,000 in employer-provided educational assistance (tax-free)**.

**Question:**

What is the **maximum amount of qualified education expenses** Daniel can use to calculate his AOTC?

- A. \$3,500
- B. \$2,500**
- C. \$4,700
- D. \$3,000

**Explanation:**

Eligible expenses:

- Tuition: \$2,800
- Fees: \$200
- Books: \$500

Minus employer assistance:  $\$3,500 - \$1,000 = \$2,500$

Health insurance and rent are **not eligible** for AOTC.

**Total eligible = \$3,500**

# Lifetime Learning Credit

## Lifetime Learning Credit (LLC)

- A **non-refundable** tax credit available for **post-secondary education**
- Worth **20% of the first \$10,000** in qualified education expenses
  - **Maximum credit: \$2,000 per return**

### Qualified Expenses Must Be:

- **Tuition and required fees**
- **Books, supplies, and equipment** *only if paid directly to the school*

### Important Notes:

- Credit is **per return, not per student**
  - **\$2,000 max, even if multiple students qualify**
- Available for **any year of post-secondary education**, including part-time and graduate studies
- No limit on the number of years it can be claimed

# Lifetime Learning Credit Requirements

## Lifetime Learning Credit – Key Eligibility Differences from AOTC

- **No minimum course load**  
*Student qualifies even if enrolled in a few courses*
- **Non-degree coursework allowed**  
*Courses taken to acquire or improve job skills qualify — no degree program required*
- **Covers all levels of postsecondary education**  
*Undergraduate, graduate, and professional degree programs are eligible*  
*Also includes continuing education and professional development*
- **No limit on years claimed**  
*Can be claimed for an unlimited number of years — unlike AOTC (which is limited to 4)*
- **Felony drug convictions do NOT disqualify**  
*Students with such convictions are still eligible for LLC*



# Lifetime Learning Credit Expenses

**You can only use what you actually paid for school to figure the Lifetime Learning Credit.**

If you got free money for school — like a Pell Grant, tax-free scholarship, or money your employer paid — subtract that from your school costs first.

**For the Lifetime Learning Credit, eligible costs include:**

- Tuition
- Required enrollment fees
- Books and supplies you had to buy **directly from the school**

**Example:**

- Tuition and fees: \$5,000
- Pell Grant: \$2,000 (tax-free)

$\$5,000 - \$2,000 = \$3,000$  you can use for the credit

# Lifetime Learning Credit Expenses

## Education expenses that do not qualify include:

- Room and board, (even if the housing is on-campus and a condition of enrollment)
- Any medical expenses, including student health fees, even if charged by the college
- Other insurance costs
- Transportation costs
- Personal, living, or family expenses

### Example 1 – Room and Board

**Situation:** Emily lives in a campus dorm and pays \$5,000 for her room and meal plan.

- **Result:** None of this \$5,000 can be used for education credits because room and board do not qualify.

### Example 2 – Transportation

**Situation:** Miguel spends \$600 on gas and parking passes to drive to his college classes.

- **Result:** Transportation costs like gas, parking, or bus fare are not eligible for education credits.

# Practice Scenario

**Lisa** is enrolled part-time in a graduate program to earn her master's degree. During the year, she paid:

- \$3,200 in **tuition**
- \$150 in **required fees**
- \$400 for **books purchased from the university bookstore**
- \$3,600 for **on-campus housing**
- \$300 for **student health insurance**
- She received a **\$1,500 tax-free scholarship** applied toward tuition.

**Question:**

How much of Lisa's education expenses are eligible for the **Lifetime Learning Credit** after adjusting for tax-free aid?

- A.** \$3,750
- B.** \$2,250
- C.** \$1,500
- D.** \$3,050

# Practice Scenario

**Lisa** is enrolled part-time in a graduate program to earn her master's degree. During the year, she paid:

- \$3,200 in **tuition**
- \$150 in **required fees**
- \$400 for **books purchased from the university bookstore**
- \$3,600 for **on-campus housing**
- \$300 for **student health insurance**
- She received a **\$1,500 tax-free scholarship** applied toward tuition.

## Question:

How much of Lisa's education expenses are eligible for the **Lifetime Learning Credit** after adjusting for tax-free aid?

- A. \$3,750**
- B. \$2,250**
- C. \$1,500**
- D. \$3,050**

### Explanation:

Eligible expenses:

- Tuition: \$3,200
- Required fees: \$150
- Required books purchased from the school: \$400

Minus tax-free scholarship:  $\$3,750 - \$1,500 = \$2,250$

Housing and student health insurance are **not eligible** for LLC

**Total eligible: \$3,750**

# Practice Scenario

**Marcus** is taking professional development courses to maintain his CPA license. His 2024 education expenses were:

- \$2,000 in **tuition**
- \$200 for **required online access codes from the college website**
- \$600 for **CPA prep books purchased from Amazon**
- \$1,000 for **commuting and parking**
- His employer reimbursed him with **\$1,000 in tax-free educational assistance.**

**Question:**

What amount can Marcus use as **qualified expenses** for the Lifetime Learning Credit?

- A. \$1,800
- B. \$2,800
- C. \$1,200
- D. \$3,800

# Practice Scenario

**Marcus** is taking professional development courses to maintain his CPA license. His 2024 education expenses were:

- \$2,000 in **tuition**
- \$200 for **required online access codes from the college website**
- \$600 for **CPA prep books purchased from Amazon**
- \$1,000 for **commuting and parking**
- His employer reimbursed him with **\$1,000 in tax-free educational assistance**.

## Question:

What amount can Marcus use as **qualified expenses** for the Lifetime Learning Credit?

A. \$1,800

**Explanation:**

B. \$2,800

Eligible expenses:

**C. \$1,200**

D. \$3,800

- Tuition: \$2,000

- Online access codes from school: \$200

(Note: CPA prep books purchased **outside the institution** are *not* eligible)

Minus employer assistance: \$2,200 –  
\$1,000 = **\$1,200**

Transportation and books not  
purchased from the institution are **not**  
**eligible** for LLC

**Total eligible: \$2,200**

# Education Credit Worksheet

- A fillable/printable worksheet was created to help walkthrough the education credits portion of TaxSlayer and ensure all necessary questions were asked for entering and QR purposes.

<b><u>Education Credit Worksheet</u></b>	
<i>Complete if client has a Form 1098-T or Other Education Expenses. Must have account summary from institution.</i>	
1. Is the taxpayer being claimed by someone as a dependent?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, stop, education credit cannot be claimed.
2. Is the taxpayer's filing status married filing separately?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, stop, education credit cannot be claimed.
3. Was the student over age 18, but under age 24 at the end of the tax year?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
4. Did the student receive a Form 1098-T from an eligible educational institution for the tax year?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
5. Did the student receive a Form 1098-T from this institution for the previous tax year with Box 2 filled in and Box 7 checked?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
6. Does the 1098-T for the current tax year have an amount in boxes 4 or 6?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, stop, out of scope
7. Has the Hope Scholarship Credit or American Opportunity Credit already been claimed for this student on 4 prior year tax returns, either on their return or someone that claimed them as a dependent's return?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
8. Was the student enrolled at least half-time?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
9. Did the student complete the first 4 years of post-secondary education before the tax year?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
10. Was the student convicted, before the end of the tax year, of a felony for possession or distribution of a controlled substance?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

11. Did the student pay for books, supplies, or equipment out of their pocket?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes; Amount: _____
12. Did scholarships or tax-free funds cover all educational expenses?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
13. Were room and board, insurance, medical expenses, transportation or other living expenses included in the tuition?	<input type="checkbox"/> No <input checked="" type="checkbox"/> Yes, subtract from qualified expenses
14. Did the student receive any refunds from tuition over-payments or class withdrawals?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
15. Which education credit is the client eligible for?	<input type="checkbox"/> AOC <input checked="" type="checkbox"/> Lifetime Learning Credit
16. What is the amount of eligible educational expenses?	Amount: _____

- Can be found by going to **AAS Resources** website, hovering over **“Resources”** in top right and clicking on **“Site Manual”**
- Tab 13 takes you to a Google Drive link with all Tax Site Documents. Find **“Education Credit Worksheet”**

# Figuring Out The Credits

The taxpayer or the taxpayer's dependent should receive **Form 1098-T, Tuition Statement**, from their eligible post-secondary institution. This form reports the **qualified tuition and related expenses** paid during the tax year. If the taxpayer does not have a copy of the 1098-T, they can usually access it by logging into their **student account on the school's website**. There, they should be able to download both the **Form 1098-T** and their **account statement**, which shows **all tuition and fees paid** for each semester during the tax year. It is important to review the account summary to ensure **all payments made** in the tax year are accounted for, including **Spring, Summer, and Fall semesters**.

<input type="checkbox"/> CORRECTED	
FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number  Clark University 150 Learning Drive Memphis, TN 38101	
1 Payments received for qualified tuition and related expenses  \$ 7,000 2	OMB No. 1545-1574  <b>2024</b>  Form 1098-T
<b>Tuition Statement</b>	
FILER'S employer identification no. 98-000XXXX	STUDENT'S TIN XXX-XX-XXXX
STUDENT'S name  Sarah Pine	
Street address (including apt. no.) 123 Main Street	
City or town, state or province, country, and ZIP or foreign postal code Memphis, TN 38101	
Service Provider/Acct. No. (see instr.)	8 Checked if at least half-time student <input checked="" type="checkbox"/>
9 Checked if a graduate student <input type="checkbox"/>	10 Ins. contract reimb./refund <input type="checkbox"/>  \$

Form 1098-T (keep for your records) [www.irs.gov/Form1098T](http://www.irs.gov/Form1098T) Department of the Treasury - Internal Revenue Service

- As a reminder, if an individual has a Form 1098-T and there are amounts in boxes 4 and/or 6, the return is **Out of Scope**.

# Figuring Out The Credits

**Box 1** on Form 1098-T is the starting point for determining the total amount of **qualified educational expenses**. To accurately calculate the eligible amount:

- **Review the Student Account Statement** for a breakdown of all charges and payments.

**Subtract any amounts paid for:**

- Room and board
- Health insurance or other medical fees
- Transportation or parking
- Optional or non-required fees

These items are **not qualified expenses** for education credits.

Then, **add any out-of-pocket payments** the taxpayer made for:

- Required **books and supplies**
- A **computer**, if it is necessary for coursework

This added amount is often based on a **reasonable estimate** provided by the taxpayer and should be documented if possible.

SELECTED		OMB No. 1545-1574
1 Payments received for qualified tuition and related expenses		2
\$	7,000	Form 1098-T
3		
4 Adjustments made for a prior year	5 Scholarships or grants	Copy B For Student  This is important tax information and is being furnished to the IRS. 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.
\$	\$ 3,000	
6 Adjustments to scholarships or grants for a prior year	7 Checked if the amount in box 1 includes amounts for an academic period beginning January-March 2023 <input type="checkbox"/>	
\$	9 Checked if a graduate student <input type="checkbox"/>	
10 Ins. contract reimb./refund	\$	

[www.irs.gov/Form1098T](http://www.irs.gov/Form1098T) Department of the Treasury - Internal Revenue Service

# Figuring Out The Credits

## Understanding Form 1098-T – Box 5

Box 5 on Form 1098-T shows the total amount of **scholarships, grants, or fellowships** received by the student during the tax year.

In many cases, the amount in Box 5 represents funding from a **Pell Grant**, which is a common form of federal financial aid. Pell Grants typically have **no restrictions** on how the funds are used — they can be applied to tuition, fees, or other educational costs.

However, it is important to **always confirm with the taxpayer** what type of aid was received and how it was used. Some grants or scholarships may have specific usage restrictions that affect how much can be applied toward qualified educational expenses for tax purposes.

RECEIVED		OMB No. 1545-1574
1 Payments received for qualified tuition and related expenses		
\$	7,000	
2		
Form 1098-T		
3		
4 Adjustments made for a prior year		5 Scholarships or grants
\$		\$ 3,000
6 Adjustments to scholarships or grants for a prior year		7 Checked if the amount in box 1 includes amounts for an academic period beginning January-March 2023 <input type="checkbox"/>
\$		
8 Checked if a graduate student <input type="checkbox"/>		9 Ins. contract reimb./refund <input type="checkbox"/>
		\$

**Tuition Statement**

**Copy B For Student**

This is important tax information and is being furnished to the IRS. 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.

Reference: IRS Pub 4012, Tab J – Education Credits

# Figuring Out The Credits (Maximizing the Education Credit)

## 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:	Total Qualified expenses	\$13,300
1098-T Box 1: \$13,000	Less Scholarships and Grants	(\$8,000)
Scholarships and grants: \$8,000	Total	\$5,300
Books: \$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)

## Using the Step-by-Step Guide for Education Credits

To calculate the correct amount of **qualified education expenses** and determine if any portion of a **scholarship is taxable**, use the **American Opportunity Credit Scenarios Step-by-Step Worksheet**, available on the **AAS Resources website** under “Step-by-Step Guides.”

This worksheet requires the following documentation:

- **Form 1098-T (Boxes 1 and 5)**
- The student's **account statement** showing all charges and payments
- **Receipts or records** for books and required supplies

If the student is only eligible for the **Lifetime Learning Credit (LLC)** instead of the AOTC, you can still use this worksheet. Just replace all instances of **\$4,000** on the worksheet with **\$10,000**, which is the maximum allowable qualified expenses for the LLC.



*Reference: IRS Pub 4012, Tab J – Education Credits*

# Figuring Out The AOTC: Example

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

**Note:** If the student is a child, the child may be subject to the Kiddie Tax. This must be taken into consideration when making determinations to maximize the education credit.

# Entering Education Credits in TaxSlayer

## Completing the Education Credit Worksheet

When using the **Education Credit Worksheet** in TaxSlayer, begin by selecting the credit the taxpayer is claiming — either the **American Opportunity Tax Credit (AOTC)** or the **Lifetime Learning Credit (LLC)**.

Then, enter the following information:

- The total amount of **qualified education expenses** (calculated using **Form 1098-T**, the **student's account statement**, and **book/supply records**)
- The **name, address, and EIN** of the educational institution
- The **student's enrollment status and year in school**
- Answer all **eligibility questions** and confirm whether the student had any **felony drug convictions** (for AOTC)

Be sure to **complete every section** accurately to ensure the correct credit is applied and to avoid delays in processing.

Select the type of credit \*

American Opportunity

Lifetime Learning

Qualified Expenses \*  
Please ensure that you reduce the amount entered for "qualified expenses" by any scholarships / grants received, pursuant to [IRS Publication 970](#).

\$

[Add Another Institution](#)

**Institution 1**

Name \*

Check here if foreign address

Address (street number & name) \*

ZIP code \*  -

City, town, or post office \*

State \*  - Please Select -

Did the student receive Form 1098-T from this institution for 2021? \*

Yes

No

Did the student receive Form 1098-T from this institution for 2020 with Box 2 filled in and Box 7 checked? \*

Yes

No

Enter the Institution's Federal Identification Number (from Form 1098-T)  -

Has the Hope Scholarship Credit or American Opportunity Credit already been claimed on 4 prior tax returns? \*

Yes

No

# Practice Scenario

## Instructions:

Use the *Education Credit Worksheet* to determine Jamal's eligibility and calculate the amount of qualified education expenses.

## Scenario:

Jamal is a full-time first-year college student pursuing a degree. His school issued a Form 1098-T for 2024 with an amount in **Box 1 only**. He was **not claimed as a dependent**, and his **filing status is Single**. Jamal has **not previously claimed the AOTC**, and he has **no felony convictions**.

He paid:

- \$4,200 in tuition
- \$300 in required fees
- \$600 for required books (purchased on Amazon)
- \$900 for a laptop (not required by the school)
- \$5,000 for room and board

He received:

- \$2,500 in Pell Grants
- \$1,000 tax-free scholarship
- **No tuition refunds**

Complete all applicable boxes on the worksheet:

- Check eligibility questions
- Subtract tax-free aid from eligible expenses
- Identify the credit type:
- Calculate the **final eligible expense amount**

# Practice Scenario

## Completed Education Credit Worksheet (Jamal)

Line	Question	Answer
1	Is the taxpayer being claimed as a dependent?	<input type="checkbox"/> No <input checked="" type="checkbox"/>
2	Filing status married filing separately?	<input type="checkbox"/> No <input checked="" type="checkbox"/>
3	Was student over 18 but under 24?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/>
4	1098-T received from institution?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/>
5	Prior year 1098-T box 2 filled and box 7 checked?	<input type="checkbox"/> No <input checked="" type="checkbox"/>
6	Box 4 or 6 amount on current 1098-T?	<input type="checkbox"/> No <input checked="" type="checkbox"/>
7	AOTC already claimed for 4 years?	<input type="checkbox"/> No <input checked="" type="checkbox"/>
8	Enrolled at least half-time?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/>
9	Completed first 4 years of postsecondary education?	<input type="checkbox"/> No <input checked="" type="checkbox"/>
10	Felony drug conviction?	<input type="checkbox"/> No <input checked="" type="checkbox"/>
11	Paid out-of-pocket for books/supplies?	<input type="checkbox"/> Yes; \$600
12	Scholarships or tax-free funds covered all expenses?	<input type="checkbox"/> No <input checked="" type="checkbox"/>
13	Were ineligible costs included (room/board, insurance, etc.)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/>
14	Any tuition refunds?	<input type="checkbox"/> No <input checked="" type="checkbox"/>
15	Which credit?	<input checked="" type="checkbox"/> AOTC
16	Eligible education expenses after subtracting aid	\$1,300

## Answer:

Line 15 →  AOTC

Line 16 → \$1,300

$(\$4,200 + \$300 + \$600 = \$5,100 - \$3,500 \text{ in aid})$

# Practice Scenario

## Instructions:

Use the *Education Credit Worksheet* to determine Priya's eligibility and calculate the amount of qualified education expenses.

## Scenario:

Priya is taking two graduate-level courses in 2024 to maintain her state license. She is **not pursuing a degree**. She is **not a dependent**, and her **filing status is Head of Household**. She received a **Form 1098-T with only Box 1 filled**, and there are **no amounts in Box 4 or 6**. She has **no felony convictions**, and has **not completed a 4-year program recently**.

She paid:

- \$1,800 in tuition
- \$250 in required online access fees
- \$200 for books purchased from the school bookstore
- \$1,200 for travel and lodging related to a conference

Complete all applicable boxes on the worksheet:

- Check eligibility questions
- Subtract tax-free aid from eligible expenses
- Identify the credit type:
- Calculate the **final eligible expense amount**

She received:

- \$1,000 in tax-free employer educational assistance
- **No refunds for tuition**

# Practice Scenario

Line	Question	Answer
1	Is the taxpayer being claimed as a dependent?	<input type="checkbox"/> No 
2	Filing status married filing separately?	<input type="checkbox"/> No 
3	Was student over 18 but under 24?	<input type="checkbox"/> Yes 
4	1098-T received?	<input type="checkbox"/> Yes 
5	Prior year 1098-T box 2 filled and box 7 checked?	<input type="checkbox"/> No 
6	Box 4 or 6 amount on current 1098-T?	<input type="checkbox"/> No 
7	AOTC already claimed for 4 years?	<input type="checkbox"/> Yes (not relevant)
8	Enrolled at least half-time?	<input type="checkbox"/> No (LLC OK) 
9	Completed first 4 years of postsecondary education?	<input type="checkbox"/> Yes 
10	Felony drug conviction?	<input type="checkbox"/> No 
11	Paid out-of-pocket for books/supplies?	<input type="checkbox"/> Yes; \$200
12	Scholarships or tax-free funds covered all expenses?	<input type="checkbox"/> No 
13	Were ineligible costs included (room/board, insurance, etc.)?	<input type="checkbox"/> Yes 
14	Any tuition refunds?	<input type="checkbox"/> No 
15	Which credit?	 Lifetime Learning
16	Eligible education expenses after subtracting aid	\$1,250

## Answer:

Line 15 →  Lifetime Learning Credit

Line 16 → **\$1,250**

$(\$1,800 + \$250 + \$200 = \$2,250 - \$1,000 \text{ in employer assistance})$

# End of Education Credits

Take a few moments with your table and discuss any questions you may have regarding this topic.