

Accounting Aid Society
Site Coordinator Update – March 2, 2024

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Best Practices

Education Credits

For tax year 2023, TaxSlayer has made changes to the input screen for entering tuition and qualified expenses for the education credits. Instead of just one field for qualified expenses, there are now three fields – Tuition Paid, Grants, and Other Qualified Expenses. While this is beneficial in that it provides more detail when reviewing or looking back into the return, it can be misleading as to what amounts to enter and where to get the information.

Please make sure that volunteers and staff are not entering information in the first two fields directly off of Form 1098-T, Tuition Statement, Boxes 1 and 5, without first looking at the Student Account Statement and conducting a thorough intake/interview. If the student doesn't have a copy of their student account statement, ask them to go online through their college or university to get this information.

- For the Tuition Paid field, determine the amount paid by verifying the payment received from the student account statement with the amount shown in Box 1 of Form 1098-T. Ask the taxpayer if they received tax-free educational assistance besides any scholarship or grants shown on the 1098-T and/or the student account statement, such as employer-provided educational assistance. See page J-11 of Pub 4012.
- For the Grants field, enter any tax-free scholarships or grants used to pay for qualified tuition and related expenses. See pages J-3 and J-4 of Pub 4012.
- For the Other Qualified Expenses field, enter any out-of-pocket qualified expenses paid, such as for books.

Note: For taxpayers claiming the American Opportunity Credit, if Tuition Paid plus Other Qualified Expenses less Grants is less than \$4,000 (see the worksheet on page J-11 of Pub 4012), the student may choose to treat some of the scholarship or grant (if certain requirements are met) as taxable income to make more of the expenses eligible for the credits. Although this is in scope for VITA, many factors have to be taken into consideration, such as, refund/tax due amounts on federal, Michigan and city returns; property tax and home heating credit amounts; Kiddie Tax; and any effect on student financial aid. Additionally, if the taxpayer is claiming expenses for a dependent, both the taxpayer and the dependent (e.g., parent and the child) must be present as maximizing the education credit by treating some scholarship/grant as income will affect amounts on both the taxpayer and the dependent tax returns.

TaxSlayer

TaxSlayer is not calculating a retirement and benefits subtraction on Michigan Form 4884, Pension Schedule, for certain taxpayers receiving retirement benefits from a deceased spouse. If the deceased spouse is the older spouse and was born in 1946 through 1952, and had not yet reached age 67 at the time of death, please contact your assigned VITA program manager for assistance. We will have more information soon on the Michigan retirement and pension benefits subtraction.