

# TAX FAQS

**It is important to note that Wellesley College cannot provide tax advice or assist in calculating individual credit amounts. You should consult your tax advisor for assistance in determining your eligibility or for other tax related questions. This document provides basic public information to general questions.**

## **Contents**

1098-T.....	2
Important Change for Tax Year 2020 .....	2
What is a 1098-T? .....	2
How do I view my 1098-T online? .....	2
What information is reported on my 1098-T? .....	2
Who receives a 1098-T form? .....	2
Who does not automatically receive a 1098-T form? .....	2
Why is Box 2 empty? .....	3
Why is box 5 greater than box 1 and is the difference taxable?.....	3
My 1098-T does not include my spring 2021 charges. Why?.....	3
My 1098-T does not include my spring 2022 payments. Why? .....	4
What is Electronic Consent?.....	4
Education Credits .....	4
What is the American Opportunity Tax Credit (AOTC)?.....	4
Who can claim an education credit? .....	4
Who cannot claim an education credit? .....	4
How can I determine if I am eligible? .....	4
How do I know which credit to choose? .....	5
What are the tax credits? .....	5
Education Expenses.....	5
What are Qualified Education Expenses?.....	5
What are not Qualified Education Expenses? .....	5
How must they be paid?.....	5
Completing Taxes .....	5
Is my scholarship taxable?.....	5
Is my 529 distribution taxable? .....	6
What (education related) documents will I need to complete my taxes? .....	6
How can I file my taxes for free? .....	6
Where can I get more information?.....	6

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## 1098-T

### Important Recent Changes

In previous years, your 1098-T included a figure in Box 2 that represented the qualified tuition and related expenses (QTRE) we **billed** to your student account for the calendar (tax) year. Due to a change to institutional reporting requirements under federal law, beginning with tax year 2018, we are reporting in Box 1 the amount of QTRE you **paid** during the year.

### What is a 1098-T?

A 1098-T reports qualified (tuition and student activity fee) payments **up to qualified charges** and scholarships/grants posted to your student account **during the calendar year**. The purpose of the form is to help determine a student's eligibility for the American Opportunity Tax Credit and Lifetime Learning Credit education tax credits. Download the IRS' [1098-T Instructions](#).

### How do I view my 1098-T online?

1. Go to <https://tra.maximus.com>
2. "First Time Students." Enter the last 5 digits of your Social Security Number OR TIN; your First Name; and your Last Name. Select "Next."
3. If you have a record, you will be instructed to create an account. Follow the instructions on the website to create a free account and retrieve your 1098-T form. If records are not found for you or you have difficulty creating an account, use the "Student Help" link in the left menu.

### What information is reported on my 1098-T?

Starting in tax year 2018 the IRS required institutions to report payments made toward qualified tuition and related expenses (QTRE). This means Box 2 will always be empty.

### Who receives a 1098-T form?

Students who are U.S. citizens OR permanent residents and who receive enrollment credit during the tax year and had reportable (QTRE) related transactions during the calendar year.

### Who does not automatically receive a 1098-T form?

The following students do not receive a 1098-T form:

- Non-resident alien (international student)
- students enrolled in courses or programs that do not earn credit

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- students with no reportable qualified tuition and expenses (QTRE) during the tax year, do not have any adjustments made to a prior year, and who have no reportable scholarships or grants
  - These may include, but are not limited to, students who are enrolled in high-school but are taking courses and students who are taking courses for which no college credit is earned.

## **Why is box 2 empty?**

Starting in tax year 2018 the IRS required institutions to report payments made toward qualified tuition and related expenses (QTRE). This means Box 2 will always be empty.

## **Why is there an amount in box 4?**

Box 4 is the total of all reimbursements or refunds of qualified tuition and related expenses made in 2021 that relate to payments (including grants) received that were reported on a prior year 1098-T. The amount in box 4 will usually include amounts in box 6 and may be included in box 1. Examples include study away tuition changes or financial aid changes.

## **Why is box 5 greater than box 1 and is the difference taxable?**

Box 5 may be greater than box 1 if the amount of grants and scholarships posted to the student account is greater than the amount paid for qualified tuition and related expenses (QTRE) during the tax year. The amount shown in box 1 is limited to the total amount of QTRE **charged in the calendar year**. In some cases, the charges for the prior spring/winter terms may have posted in the prior tax year. To determine if this is taxable please refer to [IRS Publication 970](#).

## **Why is there an amount in box 6?**

Box 6 is the total of amount of any reduction to the amount of scholarships or grants that were reported for any prior year. Starting in 2020 this amount will be reported as the gross rather than net amount of any adjustments. The amount in box 6 will also be reported in box 5. If you have an amount in this box you can refer to the instructions on how to print your account transactions for further detail. You may want to consult with a tax advisor on how to appropriately report these amounts.

## **My 1098-T does not include my spring 2021 charges. Why?**

This occurs if your registration is processed before the end of the 2020 tax year. Qualified charges are initiated by your registration; therefore, the posting of your charges will be in the calendar year in which you are registered for spring courses. Spring charges would have been included on your prior year (2019) 1098-T.

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## My 1098-T does not include my spring 2021 payments. Why?

The reported payments on your 2021 1098-T include all payments from all sources in the tax year 2021 including loans, grants, payments, scholarships, etc., but excluding those payments made specifically for non-qualified expenses such as meals, housing, health insurance, etc. If your payment for spring 2022 was made after December 31, 2021 it will be included in your 2022 1098-T.

## What is Electronic Consent?

You must provide your consent if you wish to view your 1098-T online before it has been mailed. This consent must be provided every year. After the mail date, you may view your documents at any time.

## Education Credits

### What is the American Opportunity Tax Credit (AOTC)?

The American opportunity *tax credit* (AOTC) is a *credit* for qualified education expenses paid for an eligible student for the first four years of higher education. Eligible individuals can get a maximum annual *credit* of \$2,500 per eligible student.

### Who can claim an education credit?

Each credit has specific rules, but you must meet all three of the following for both:

1. You, your dependent, or a third party **pays** [qualified education expenses](#) for higher education.
2. An eligible student must be enrolled at an [eligible educational institution](#).
3. The eligible student is yourself, your spouse, or a dependent you list on your tax return.

### Who cannot claim an education credit?

You cannot claim an Education Credit when:

- **Someone else, such as your parents, list you as a dependent on their tax return.**
- Your filing status is married filing separately.
- You already claimed or deducted another higher education benefit using the same student or same expenses (see [Education Benefits: No Double Benefits Allowed](#) for more information).
- You (or your spouse) were a non-resident alien for any part of the year and did not choose to be treated as a resident alien for tax purposes ([Publication 519](#), U.S. Tax Guide for Aliens).

### How can I determine if I am eligible?

The Internal Revenue Service interactive app, "[Am I Eligible to Claim an Education Credit?](#)" helps you determine if you are eligible for education credits and deductions.

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## How do I know which credit to choose?

The education credits have some similarities but also some very important differences. To determine for which credit you qualify, see the Internal Revenue Service's [handy chart](#) to compare the education credits.

## What are the tax credits?

- Find out more about the [American Opportunity Tax Credit](#) here.
- Find out more about the [Lifetime Learning Credit](#) here.

## Education Expenses

### What are Qualified Education Expenses?

Amounts paid for tuition, student activity fees, and other related expenses for an eligible student that are required for enrollment or attendance at an eligible educational institution paid for you, your spouse, or a dependent student listed on your tax return. You must pay the expenses for an academic period that starts during the tax (calendar) year or the first three months of the next tax (calendar) year.

### What are not Qualified Education Expenses?

Room and board, insurance, medical expenses (including Health Services fees), transportation, and similar personal, living, or family expenses are not qualified expenses for most tax purposes.

### How must they be paid?

They can be paid with cash, check, card, or **money from a loan**. To claim a tax credit, expenses cannot be paid with tax-free funds. You must reduce the amount of expenses paid with tax-free grants, scholarships, and other tax-free education help (including 529 disbursements).

## Completing Taxes

### Is my scholarship taxable?

You must **include in gross income**:

- Amounts used for incidental expenses, **such as room and board**, travel, and optional equipment.
- Amounts received as payments for teaching, research, or other services required as a condition for receiving the scholarship or fellowship grant, with the exception of the National Health Service Corps and Armed Forces Health Professions Scholarship Programs.

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Scholarships, fellowship grants, and other grants are **tax-free** if you meet the following conditions:

- You are a candidate for a degree at Wellesley College; and
- The amounts you receive are used to pay for **tuition and fees** required for enrollment or attendance at the educational institution, or for fees, books, supplies, and equipment required for courses at the educational institution.

## **Is my 529 distribution taxable?**

529 plan distributions are tax-free as long as they are used to pay qualified higher education expenses for a designated beneficiary. Qualified expenses (for 529 purposes) include tuition, required fees, books and supplies. For someone who is at least a half-time student, room and board also qualify.

## **What (education related) documents will I need to complete my taxes?**

- 1098-T – Will be provided electronically by Wellesley before January 31<sup>st</sup>. Duplicate copies available at <https://tra.maximus.com/>. You will need to login with your name and the last 5 digits of your Social Security Number.
- 1098-E – Will be issued from lenders or their servicers by January 31<sup>st</sup> (Wellesley loans are issued by its servicer, Heartland ECSI).
- Copy of your student account.

## **Can I file my taxes for free?**

[IRS Free File Options](#)

[MA DOR WebFile \(Free\)](#)

## **Where can I get more information?**

[IRS Tax Benefits for Education Information Center](#)

[IRS Publication 970](#)

[IRS Education Credit Assistant](#)

[IRS Tax Information for Students](#)

[Massachusetts Education Deductions](#)