

# NAVIGATING 1098T REPORTING REQUIREMENTS

## Minnesota Network Conference

*October, 2017*



# NAVIGATING 1098T REPORTING REQUIREMENTS

## Three Key Take-Aways:

1. There are no Changes are required for the current reporting year (2017 QTRE reported in early 2018).
2. There are no changes to the QTRE that the borrower is allowed to claim.
3. There are no changes to the school's responsibility to comply

# NAVIGATING 1098T REPORTING REQUIREMENTS

## What has changed:

Until new legislation passed in 2015, schools could report on either –

The amount billed during the calendar year,

or

The amount paid during the calendar year

Implementation of the new requirement was delayed until the 2018 tax reporting year.

# NAVIGATING 1098T REPORTING REQUIREMENTS

## What the regulations say:

26 CFR 1.6050S-1 regulation states:

For purposes of determining the amount of payments received for qualified tuition and related expenses during a calendar year, payments received with respect to an individual during the calendar year from any source (except for any scholarship or grant that, by its terms, must be applied to expenses other than qualified tuition and related expenses, such as room and board) are treated as payments of qualified tuition and related expenses up to the total amount billed by the institution for such expenses. For purposes of this section, a payment includes any positive account balance (such as any reimbursement or refund credited to an individual's account) that an institution applies toward current charges.

IRS box 1 2017 instructions state:

Enter the total amount of payments received for qualified tuition and related expenses from all sources during the calendar year. The amount reported is the total amount of payments received less any reimbursements or refunds made during the calendar year that relate to the payments received for qualified tuition and related expenses during the same calendar year. The amount reported is not reduced by scholarships and grants reported in box 5.

# NAVIGATING 1098T REPORTING REQUIREMENTS

## Overview of the required form:

<input type="checkbox"/> CORRECTED				
<b>FILER'S name, street address, city, state, ZIP code and telephone number</b> The University of Michigan 2226 Student Activities Bldg 515 East Jefferson St Ann Arbor MI 48109-1316 Student-Financial, Services 877/840-4738		<b>1</b> OMB No. 1546-1574  <b>2009</b> Form 1098-T	<b>Tuition Statement</b>	
<b>2</b> Amounts billed for qualified tuition and related expenses \$ 11,319.00 <b>A</b>		<b>3</b> If this box is checked, your educational institution has changed its reporting method for 2008 <input type="checkbox"/>		
<b>FILER'S federal identification no.</b> 386006309	<b>STUDENT'S social security no.</b> #####	<b>4</b> Adjustments made for a prior year \$ <b>B</b>	<b>5</b> Scholarships or grants \$ 500.00 <b>C</b>	Copy B For Student  This is important Tax information and is being furnished to the Internal Revenue Service.
<b>STUDENT'S name</b> Suzie Student (example)		<b>6</b> Adjustments to the scholarships or grants for a prior year \$ <b>D</b>	<b>7</b> Checked if the amount in box 1 or 2 includes amounts for an academic period beginning January-March 2010 <input type="checkbox"/>	
<b>Street address (including apt. no.)</b> 512 Pine Ave.		<b>8</b> Checked if at least half-time student <input checked="" type="checkbox"/>	<b>9</b> Checked if a Graduate Student <input type="checkbox"/>	
<b>City, State, and ZIP code</b> Dexter MI USA 4231		<b>10</b>		
<b>Service Provider/Acct. No. (see instr.)</b>				
Form 1098-T <span style="float: right;">(Keep for your records.) Department of the Treasury – Internal Revenue Service</span>				

**A - Amount Billed (...being phased out)**

**B - Prior Year Adjustments (...no change)**

**C - Scholarships or Grants (...no change)**

**D - Adjustments for Scholarships of Grants for prior year (...no change)**

# NAVIGATING 1098T REPORTING REQUIREMENTS

## Key ERP System Changes

Current setup: ERP systems currently identify qualified tuition and related expenses billed

### **New requirements for Box 1 reporting:**

1. Capture grants and scholarships that can ONLY be used to pay non-qualified expenses (excluded from box 1).
2. Capture payments applied to QTRE during each calendar year.

### **Box 2 information continues to be important as:**

1. Amount billed (previously reported in box 2) will be the maximum that can be reported in box 1.
2. This amount does not need to be reported.

# NAVIGATING 1098T REPORTING REQUIREMENTS

## Payment Application/Allocation

The application or allocation of payments are not considered in the calculation of box 1 payments.

All payments (except those specifically excluded) are *treated* as payments of qualified tuition and related expenses up to the total amount billed.

# NAVIGATING 1098T REPORTING REQUIREMENTS

## Transition Year & Spring Term Crossover

**Situation: Payments in the fall 2017 and/or in spring 2018**

1. Spring term charges paid in the fall of the prior year are included in the prior year's box 1
2. Box 7 is checked.

**Key Consideration: When determining qualified charges for the spring term, calculations must include charges billed in the prior year for terms that begin in the first three months of the following year.**

**Specifically, if a student pays for spring 2018 in fall of 2017, their amount billed will be reported in box 2 of the 2017 form. If a student pays for spring 2018 in 2018, their amount paid will be reported in box 1 of the 2018 form.**

**Situation: Spring 2018 charges reported in box 2 for 2017 (Payments in 2018)**

1. Due to the change information reported in the previous year may also be reported as payments in the current year.
2. Tax preparer will need to know the regulations and report accordingly



# NAVIGATING 1098T REPORTING REQUIREMENTS

## Case Study

Spring year 2 charges are posted in November of year 1. Spring charges are \$7,500 QTRE and \$3,000 R&B. Total \$10,500. Student pays \$4,000 in year 1 before December 31 and gets a 1098-T with \$4,000 in Box 1. In year 2, another spring class is added for \$2,000 QTRE in January. The remaining balance of \$8,500 is paid by a loan in January.

For the year 2 1098-T, would the calculations determine that box 1 would be \$5,500 (7,500 QTRE + 2,000 QTRE – 4,000 previously paid)? The only new QTRE charges in year 2 were \$2,000. Would the calculations look at both years combined for spring QTRE and take previous payments into consideration?

### Solution Options for year 2 reporting:

Box 1 would be \$5,500 (7,500 QTRE + 2,000 QTRE – 4,000 previously paid), or  
Box 1 would be \$8,500 (Total amount paid is less than the 7,500 QTRE + 2,000 QTRE ceiling)

# NAVIGATING 1098T REPORTING REQUIREMENTS

## Prior Year Adjustments (Box 4)

***1. Payments received.** Enter reimbursements or refunds of qualified tuition and related expenses made during the calendar year that relate to payments received that were reported for any prior year.*

***2. Amounts billed.** Enter any reductions in charges made for QTRE reported for any prior year.*

# NAVIGATING 1098T REPORTING REQUIREMENTS

## Past Due Balances

Payments of past balances are to be reported in box 1. However, under §25A, taxpayers may not claim education tax credits for academic periods in past years.

## Payment Source

**Schools are to report** the total amount of payments received for qualified tuition and related expenses from **all sources** during the calendar year.

## Sponsorships & Grants (Box 5)

Box 5 is not changing for 2018.

# NAVIGATING 1098T REPORTING REQUIREMENTS

## Payments for Future Years

Payments received in the current year for terms beginning in the first three months of the next year will be reported in box 1, and box 7 will be checked.

## Reductions/Waivers

1. The amount of box 1 payments reported is limited to the total amount billed; therefore, waiving qualified charges will lower the amount that can be reported in box 1.
2. If the waiver creates a reimbursement or refund that is issued to the student or applied to other charges, the amount will be reported in box 4. Reductions to financial aid will continue to be reported in box 6 as usual.

# NAVIGATING 1098T REPORTING REQUIREMENTS

Source of the Payment Does Not Matter

# NAVIGATING 1098T REPORTING REQUIREMENTS

## Modifications to Existing Processes

### Case Study

If a student pays for spring 2018 in October 2017, what amounts should be reported in the 2017 and 2018 tax years?

# NAVIGATING 1098T REPORTING REQUIREMENTS

## Modifications to Existing Processes

### Case Study

If a student pays for spring 2018 in October 2017, what amounts should be reported in the 2017 and 2018 tax years?

The amount billed for 2018 will be reported in box 2 of the 2017 form.

The amount paid will be reported in box 1 of the 2018 form.

Box 3 is the indication that the reporting method has changed, indicating that charges billed in one year may now be reported as charges paid in another.

Note: No other special action or reconciliation is required. The 1098-T form is only informational; none of the amounts reported are expected to be used as part of a 'plug and play' entry.

# NAVIGATING 1098T REPORTING REQUIREMENTS

