P+P TAX TIP: EDUCATION CREDITS

Overview

TaxSlayer changed the data entry required for federal education credits that many college, university, and other post-secondary education students can claim. Even without these changes, education credits are tricky, so review the information in this tip and more details in your P+P tax manual on pages 124-138 to help prepare yourself for assisting students to claim the best tax benefits possible.

Education credits are complicated but worth it! You can make a difference of thousands of dollars in a customer's refund when you have a good understanding of these credits and the options students have.

Form 1098-T and Education Credits Worksheet

The **Form 1098-T** shows tuition paid and scholarships and grants received by students. The form gives some of the information needed to claim the American Opportunity Credit (refundable credit) or the Lifetime Learning Credit (nonrefundable credit). The rest of the information we need will come from questions you ask the customer.

The **Education Credits Worksheet** is a guide for the tax interview and making complete notes. It helps make sure we get all the information to compare scenarios and find the best tax credit option. Printed copies are available at all tax sites, and it is in the P+P volunteer tax manual on pages 131-132.

TaxSlayer data entry

Most of the TaxSlayer data entry changes for education credits are straightforward, however, it's easy to assume that the software is doing more for you than it actually does! You still need to enter three different values in three different areas of the software for most taxpayers:

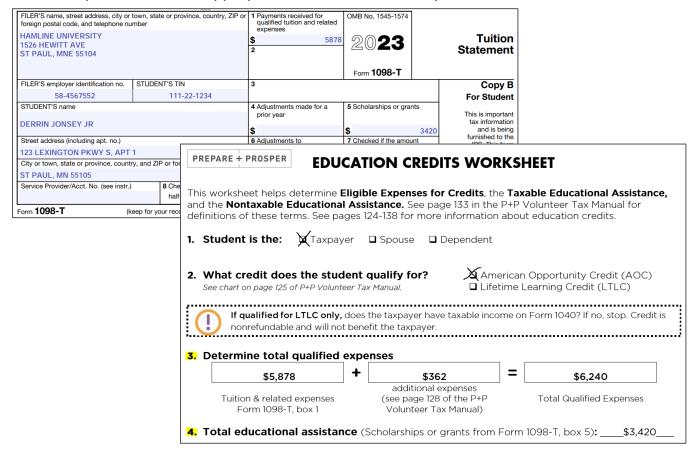
1.	Eligible Expenses for Credits (amount that qualifies for AOC or LTLC)	Enter in the Education Credit/Form 8863 section of TaxSlayer (more notes below)
2.	Taxable educational assistance (taxable scholarships/grants)	Enter in the Other Income >> Other Compensation section of TaxSlayer
3.	Nontaxable educational assistance (nontaxable scholarships/grants)	Enter in the MN (M1) section of TaxSlayer as Additional Nontaxable Income

Review the information on the next two pages for more details about how to use the new data entry screens in TaxSlayer to correctly calculate education credits.

Entry directly from 1098-T

Use Step 3 and Step 4 from the Education Credits Worksheet or information straight from the Form 1098-T and your interview with the taxpayer to do a first round of data entry into TaxSlayer.

Remember: You still need to enter any taxable scholarship income or nontaxable scholarship income in the appropriate locations in TaxSlayer.



Form 1098	-T Information — HAMLINE UNIVERSITY
CANCEL	CONTINUE
If you paid expenses for amount eligible for an ed Tuition Paid	higher education in 2023, enter the amounts in the corresponding fields to determine the ucation tax credit.
\$5878	Tuition Paid: Enter from box 1 on Form 1098-T
Grants	Grants: Enter from box 5 on Form 1098-T
\$3420	Other Qualified Expenses: Determine this in the taxpayer interview
Other Qualified Expenses	
\$362	

Entry to maximize American Opportunity Credit

If the taxpayer is claiming the American Opportunity Credit and the first entry does not allow them to take full advantage of the credit, you'll take additional steps. Fill out the full Education Credits Worksheet! Use the options chart on the worksheet to test various options. The data entry directly from the 1098-T tests option 1. To test option 2 and option 3 from the worksheet:

- Navigate back to the Education Credits section in TaxSlayer
- Enter the "Eligible Expenses for Credits" amount in the "Tuition Paid" box.
- Enter \$0 in the "Grants" box.
- Enter \$0 the "Other Qualified Expenses" box.

Follow the same steps for option 3. Remember to update the taxable educational assistance entry while testing refund options. Update the final nontaxable educational assistance entry after you have finalized the education credit entry on the federal return.

	Option 1: Baseline Values	Option 2: Max Eligible Expenses	Option 3
Eligible Expenses for Credits	\$2,820	\$4,000	\$3,000
Taxable educational assistance	\$0	\$1,180	\$180
Nontaxable educational assistance	\$3,420	\$2,240	\$3,240

Corrected!
The Option 3
nontaxable
was listed as
\$1,240 in
the original
tip. Oops!

EDUCATION GUIDE	
Form 109	8-T Information — HAMLINE UNIVERSITY
CANCEL	CONTINUE
	for higher education in 2023, enter the amounts in the corresponding fields to determine the education tax credit.
\$4000	Tuition Paid: Enter the "Eligible Expenses for Credits" amount.
Grants	Grants: Enter \$0.
\$0	Other Qualified Expenses: Enter \$0.
Other Qualified Even	
Other Qualified Exper	ises
\$0	