

Publication 4012

VITA/TCE Volunteer Resource Guide

Volunteer Income Tax Assistance (VITA)/Tax Counseling for the Elderly (TCE)

2022 RETURNS

Volume 9 of 14



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Tab I: Earned Income Credit

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Earned Income Table

Earned Income for EIC

Includes	Doesn't include
<ul style="list-style-type: none">• Taxable wages, salaries, and tips• Union strike benefits• Taxable long-term disability benefits received prior to minimum retirement age	<ul style="list-style-type: none">• Interest and dividends• Social Security and railroad retirement benefits• Welfare benefits• Workfare payments• Pensions and annuities (except if disability pension and taxpayer is under minimum retirement age)• Veteran's benefits (including VA rehabilitation payments)

<ul style="list-style-type: none"> • Net earnings from self-employment • Gross income of a statutory employee • Household employee income • Nontaxable combat pay election • Nonemployee compensation • The rental value of a home or a housing allowance provided to a 	<ul style="list-style-type: none"> • Workers' compensation benefits • Alimony • Child support • Nontaxable foster-care payments • Unemployment compensation • Taxable scholarship or fellowship grants that aren't reported on Form W-2 • Earnings for work performed while an inmate at a penal institution or on work release¹ • Salary deferrals (for example, under a 401(k) or 403(b) plan or the
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<p>minister as part of the minister's pay (Out of Scope)</p>	<p>Federal Thrift Savings Plan)</p> <ul style="list-style-type: none"> • The value of meals or lodging provided by an employer for the convenience of the employer • Disability Insurance payments • Excludable dependent care benefits (line 25 of Form 2441) • Salary reductions such as under a cafeteria plan • Excludable employer-provided educational assistance benefits (may be shown in box 14 of Form W-2)
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- 1 This particular income is entered as other income on the return and not counted as earned income.

Common EIC Filing Errors

- Claiming a child who doesn't meet the residency and relationship requirements
- Married taxpayers incorrectly filing as a single or head of household
- Incorrectly reporting income, particularly income and expenses from self-employment
- Incorrect Social Security numbers

Summary of EIC Eligibility Requirements

Part A Rules for Everyone	Part B Rules If You Have a Qualifying Child	Part C Rules If You Don't Have a Qualifying Child	Part D Earned Income and AGI Limitations
Taxpayers & qualifying children must all have SSN that is valid for employment by the due date of the return (including extensions). ¹	Child must meet the relationship, age, residency test and joint return tests but not the support test. The child doesn't have to be your dependent. ²	Must be at least age 25 but under age 65 as of December 31. ³	<p>You must have earned income to qualify for this credit.</p> <p>Your earned income and AGI must be less than:</p> <ul style="list-style-type: none">• \$53,057 (\$59,187 for married filing jointly) if you have three or more qualifying children,• \$49,399 (\$55,529 for married filing jointly) if you have two qualifying children,• \$43,492 (\$49,622 for married filing jointly) if you have one qualifying child, or• \$16,480 (\$22,610 for married filing jointly) if you don't have a qualifying child.
Filing status can't be married filing separately unless you meet an exception. ³	Qualifying child can't be used by more than one person to claim the EIC.	Can't be the dependent of another person.	
Must be a U.S. citizen or resident alien all year.	The taxpayer can't be a qualifying child of another person.	Must have lived in the United States more than half the year.	
Can't file Form 2555 (relating to foreign earned income).		Can't be a qualifying child of another person.	
Investment income must be \$10,300 or less.			
Can't be a qualifying child of another person.			



Taxpayers cannot file an amended return to claim the credit for a year they did not originally have a valid Social Security number.

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1 If the taxpayer's Social Security card says "VALID FOR WORK ONLY WITH INS OR DHS AUTHORIZATION," the taxpayer can use the Social Security number to claim EIC if they otherwise qualify.

If taxpayer (or spouse, if filing a joint return) or dependent has an individual taxpayer identification number (ITIN), they can't get the EIC. ITINs are issued by the IRS to noncitizens who can't get an SSN. Singles and couples who have Social Security numbers can claim the credit, even if their children don't have SSNs. In this instance, they would get the smaller credit available to childless workers. In the past, these filers didn't qualify for the credit.

If the taxpayer's Social Security card has a "NOT VALID FOR EMPLOYMENT" imprint, and if the card-holder obtained the SSN to get a federally funded benefit, such as Medicaid, they can't get the EIC.

- 2** To meet the joint return test, the child cannot file a joint return for the year unless it's only to claim a refund of income tax withheld or estimated tax paid.
- 3** Taxpayers turning 25 on January 1st are considered to be 25 as of December 31st. Taxpayers reaching the age 65 on January 1st are still considered to be 64 as of December 31st.
- 4** Taxpayers can claim EIC who are married, not filing a joint return, had a qualifying child living with them for more than 1/2 the year and either lived apart from their spouse for the last 6 months of the year or are legally separated according to state law under legal separation agreement or a decree of separate maintenance and didn't live in the same household as the spouse at the end of the year.

EIC General Eligibility Rules

Step	Probe/Ask the taxpayer	Action
1	<p>Calculate the taxpayer's earned income and adjusted gross income (AGI) for the tax year. Are both less than:</p> <ul style="list-style-type: none"> • \$53,057 (\$59,187 married filing jointly) with three or more qualifying children; • \$49,399 (\$55,529 married filing jointly) with two qualifying children; 	<p>If YES, go to Step 2.</p> <p>If NO, STOP. You can't claim the EIC.</p>

	<ul style="list-style-type: none"> • \$43,492 (\$49,622 married filing jointly) with one qualifying child; or • \$16,480 (\$22,610 married filing jointly) with no qualifying children? 	
2	<p>Do you (and your spouse, if filing jointly) have a Social Security number (SSN) that allows you to work?¹</p> <p>Answer "NO" if the taxpayer's Social Security card has a "NOT VALID FOR EMPLOYMENT" imprint, and if the</p>	<p>If YES, go to Step 3.</p> <p>If NO, STOP. You can't claim the EIC.</p>

	cardholder obtained the SSN to get a federally funded benefit, such as Medicaid.	
3	Is your filing status married filing separately?	<p>If YES, You can't claim the EIC unless you meet an exception. See Footnote 4 on page I-2.</p> <p>If NO, go to Step 4</p>
4	<p>Are you (or your spouse, if married) a nonresident alien?</p> <p>Answer "NO" if the taxpayer is married filing jointly, and one spouse is a citizen or</p>	<p>If YES and you are either unmarried or married but not filing a joint return, STOP. You</p>

	<p>resident alien and the other</p> <p>is a nonresident alien.</p>	<p>can't claim the EIC.</p> <p>If NO, go to Step 5.</p>
5	<p>Are you (or your spouse, if filing jointly) filing Form 2555 (Foreign Earned Income) to exclude income earned in a foreign country?</p>	<p>If YES, STOP. You can't claim the EIC.</p> <p>If NO, go to Step 6.</p>
6	<p>Is your investment income (interest, tax exempt interest, dividends, capital gains distributions & capital gains) more than \$10,300?</p>	<p>If YES, STOP. You can't claim the EIC.</p> <p>If NO, go to Step 7.</p>

<p>7</p>	<p>Are you (or your spouse, if filing jointly) the qualifying child of another taxpayer?</p>	<p>If YES, STOP. You can't claim the EIC.</p> <p>If NO, go to the interview tips for EIC—With a Qualifying Child or EIC—Without a Qualifying Child.</p>
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1 If the taxpayer's Social Security card says **VALID FOR WORK ONLY WITH INS OR DHS AUTHORIZATION**, the taxpayer can use the Social Security number to claim EIC if they otherwise qualify.



Taxpayer must check the checkbox on Schedule EIC for MFS treated as not married for purpose of claiming EIC to claim the credit.



If the taxpayer is filing MFS and meets the requirements to claim EIC, go to Basic Information>Personal Information>Filing Married Filing Separate and meets the requirements to claim the EIC.

EIC With a Qualifying Child

Step	Probe/Ask the taxpayer	Action
1	Does your qualifying child have an SSN that allows him or her to work? Answer NO if the child's Social Security card says "NOT VALID FOR EMPLOYMENT" and his or her SSN was only obtained to get a federally funded benefit.	<p>If YES, go to Step 2.</p> <p>If NO, STOP. You can't claim the EIC on the basis of this qualifying child, however, you may qualify to claim the childless EIC if you meet the requirements.</p>
2	Is the child your son, daughter, stepchild, adopted child, or eligible foster child,	<p>If YES, go to Step 3.</p> <p>If NO, STOP. This child isn't your</p>

	brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them?	qualifying child. Go to interview tips for EIC Without a Qualifying Child.
3	<ul style="list-style-type: none"> • Was the child any of the following at the end of the tax year? • Under age 19 and younger than the taxpayer (or spouse, if filing jointly) • Under age 24 and a full-time student and younger than the taxpayer (or 	<p>If YES, go to Step 4.</p> <p>If NO, STOP. This child isn't your qualifying child. Go to interview tips for EIC Without a Qualifying Child.</p>

	<p>spouse, if filing jointly), or</p> <ul style="list-style-type: none"> • Any age and permanently and totally disabled 	
4	<p>Did the child file a joint return for the year?¹</p> <p>Answer NO if the child and his or her spouse filed a joint return only to claim a refund of income tax withheld or estimated tax paid.</p>	<p>If NO, go to Step 5.</p> <p>If YES, STOP. This child isn't your qualifying child (failed the joint return test). Go to interview tips for EIC Without a Qualifying Child.</p>
5	<p>Did the child live with you in the United States for more than half (183 days for</p>	<p>If YES, go to Step 6.</p> <p>If NO, STOP. This child isn't your qualifying child.</p>

	<p>2022) of the tax year?2</p> <p>Active duty military personnel stationed outside the United States are considered to live in the United States for this purpose.</p>	<p>Go to interview tips for EIC Without a Qualifying Child.</p>
6	<p>Is the child a qualifying child of another person?</p> <p>There may be a case when a qualifying child can't be claimed by anyone.</p> <p>Example: The only parent that the child lives with doesn't work or file a tax return and</p>	<p>If YES, explain to the taxpayer what happens when more than one person claims the EIC using the same child (Qualifying Child of More than One Person rule). If the taxpayer chooses to claim</p>

	<p>another adult can't meet the general eligibility rules. In this example, no one qualifies to claim this child as a qualifying child for EIC.</p>	<p>the credit with this child, compute the EIC using the appropriate EIC worksheets.</p> <p>If NO, compute the EIC using the appropriate EIC worksheet.</p>
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- 1** If your child was married at the end of the year, he or she doesn't meet the joint return test unless you can claim the child as a dependent or you can't claim the child as a dependent because you gave that right to the child's other parent.

2 Temporary absences. Count time that you or your child is away from home on a temporary absence due to a special circumstance as time the child lived with you. Examples of a special circumstance include illness, school attendance, business, vacation, military service, and detention in a juvenile facility.

EIC Without a Qualifying Child

Step	Probe/Ask the taxpayer	Action
1	Can you (or your spouse, if filing jointly) be claimed as a dependent by another person?	If NO , go to Step 2. If YES , STOP. You can't claim the EIC.
2	Were you (or your spouse, if filing jointly) at least 25 but under age 65 on December 31 of the tax year?	If NO , STOP. You can't claim the EIC unless an exception applies. See the Note below. If YES , go to Step 3.

3	Did you (and your spouse, if filing jointly) live in the United States for more than half (at least 183 days) of the tax year?	If NO , STOP. You can't claim the EIC. If YES , compute EIC using the appropriate EIC worksheet.
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Taxpayers born on January 1st are considered to be of age as of December 31st. Taxpayers reaching the age of 65 on January 1st are still considered 64 as of December 31st.

Qualifying Child of More than One Person

If the child meets the conditions to be the qualifying child of more than one person, only one person can claim the child. The tiebreaker rules, which follow, explain who, if anyone, can claim the EIC when more than one person has the same qualifying child. However, the

tiebreaker rules don't apply if the other person is your spouse and you file a joint return. Review all of the conditions to see which one applies.

- If only one of the persons is the child's parent, the child is treated as the qualifying child of the parent.
- If the parents don't file a joint return together but both parents claim the child as a qualifying child, the IRS will treat the child as the qualifying child of the parent with whom the child lived for the longer period of time in 2022. If the child lived with each parent for the same amount of time, the IRS will treat the child as the qualifying child of the parent who had the higher adjusted gross income (AGI) for 2022.
- If no parent can claim the child as a qualifying child, the child is treated as the qualifying child of the person

- who had the highest AGI for 2022.
- If a parent can claim the child as a qualifying child but no parent does so claim the child, the child is treated as the qualifying child of the person who had the highest AGI for 2022, but only if that person's AGI is higher than the highest AGI of any of the child's parents who can claim the child.



If the taxpayers can't claim the EIC because their qualifying child is treated under the tiebreaker rules as the qualifying child of another person for 2022, they may be able to take the EIC using a different qualifying child, or take the EIC if they qualify using the rules for people who don't have a qualifying child.



Subject to these tiebreaker rules, the taxpayer and the other person may be able to choose which of them claims the child as a qualifying child. See Publication 596, Earned Income Credit (EIC), for examples. Only parents have the option to choose which parent will claim the child. All other taxpayers wanting to claim the qualifying child must follow the tiebreaker rules. See Pub 596 for examples. The IRS will apply the tiebreaker rules when the child is claimed by multiple taxpayers.

Disallowance of Certain Credits



Federal section>Deductions>Credit menu>Claiming Refundable Credits After Disallowance

Form 8862, Information to Claim Certain Credits After Disallowance, must be completed for any taxpayer whose EIC, credit for other dependents (ODC), child tax credit (CTC), additional child tax credit (ACTC), or American opportunity tax credit (AOTC), was previously reduced or disallowed and the taxpayer received a letter saying they had to complete and attach Form 8862 to claim the credit(s) the next time.

If the IRS determined a taxpayer claimed the credit(s) due to reckless or intentional disregard of the rules (not due to math or clerical errors) the taxpayer can't claim the credit(s) for 2 tax years. If the error was due

to fraud, then the taxpayer can't claim the credit(s) for 10 tax years.

Two situations may require completion of Form 8862

1. The IRS advised the taxpayer that form 8862 must be completed for a future tax return.
2. A return has been rejected with reject code IND-046-01 – "Incorrect Data: Form 8862 must be present in the return. The e-File database indicates the taxpayer must file Form 8862 to claim Earned Income Credit after disallowance."



Steps for completing Form 8862:

- Enter 8862 in the forms search box
- Select **Information to Claim Certain Refundable Credits After Disallowance**

- Select **BEGIN** for the Credit to be claimed, e.g. Claim EIC After Disallowance



Credits listed will be the ones for which the taxpayer is eligible.

For EIC disallowance

- Do not click the first box “Check here if the only reason your EIC was reduced or disallowed in the earlier year was because you incorrectly reported your earned income or investment income” unless that is the actual reason the EIC was reduced/eliminated.
- Answer remaining questions and click **Continue**. Questions must be answered for all children.

For CTC/ACTC

- Select Claim Credit then Continue

For AOTC

- Select Form **8863** and confirm entries

Not Eligible for EIC:

If the taxpayer is not eligible for Earned Income Credit for any reason (including a previous year disallowance), click **BEGIN** on the Not Eligible for EIC line. Select both the check boxes after reading them carefully to determine that the taxpayer agrees to not claim earned income credit on this return.

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Tab J: Education Benefits

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Tax Treatment of Scholarship and Fellowship Payments

A scholarship or fellowship is tax free (excludable from gross income) only if:

- You are a candidate for a degree at an eligible educational institution. You are a candidate for a degree if you attend a primary or secondary school or are pursuing a degree at a college or university, or attend an educational institution that offers a program of training to prepare students for gainful employment in a recognized occupation and is authorized under federal or state law to provide such a program and is accredited by a nationally recognized accreditation agency.

A scholarship or fellowship is tax free only to the extent:

- It doesn't exceed your qualified education expenses;
- It isn't designated or earmarked for other purposes (such as room and board), and doesn't require (by its terms) that it can't be used for qualified education expenses; and
- It doesn't represent payment for teaching, research, or other services required as a condition for receiving the scholarship. (But for exceptions, see Payment for services in Publication 970, Tax Benefits for Education.)

Use Worksheet 1-1 to figure the amount of a scholarship or fellowship you can exclude from gross income.

Education Expenses

The following are qualified education expenses for the purposes of tax-free scholarships and fellowships:

- Tuition and fees required to enroll at or attend an eligible educational institution.
- Course-related expenses, such as fees, books, supplies, and equipment that are required for the courses at the eligible educational institution. These items must be required of all students in your course of instruction.

Qualified education expenses don't include the cost of:

- Room and board
- Research
- Equipment and other expenses not required for enrollment in or attendance at an eligible educational institution

- Travel
- Clerical help

Worksheet 1-1. Taxable Scholarship and Fellowship Income

1. Enter the total amount of any scholarship or fellowship grant for 2022. See Amount of scholarship or fellowship grant in Publication 970.	1. _____
<ul style="list-style-type: none">• If you are a degree candidate at an eligible educational institution, go to line 2.• If you aren't a degree candidate at an eligible educational institution, stop here. The entire amount is taxable. For information on how to report this amount on your tax return, see Entering Other Compensation in TaxSlayer in Tab D.	
2. Enter the amount from line 1 that was for teaching, research, or any other services required as a condition for receiving the scholarship. Don't include amounts received for these items under the National Health Service Corps Scholarship Program, the Armed Forces Health Professions Scholarship and Financial Assistance Program, or a comprehensive student work-learning-service program (as defined in Section 448(e) of the Higher Education Act of 1965) operated by a work college (as defined in that section).	2. _____
3. Subtract line 2 from line 1.	3. _____
4. Enter the amount from line 3 that your scholarship or fellowship grant required you to use for other than qualified education expenses.	4. _____
5. Subtract line 4 from line 3.	5. _____
6. Enter the amount of your qualified education expenses	6. _____
7. Enter the smaller of line 5 or line 6. This amount is the most you can exclude from your gross income ¹ (the tax-free part of the scholarship or fellowship grant)	7. _____
8. Subtract line 7 from line 5.	8. _____
9. Taxable part. Add lines 2, 4, and 8. See Entering Other Compensation in TaxSlayer in Tab D, for how to report this amount on your tax return.	9. _____

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- 1** However, a scholarship or fellowship grant isn't treated as tax free to the extent the student includes it in gross income (the student may or may not be required to file a tax return) for the year the scholarship or fellowship grant is received and either:
- The scholarship or fellowship grant (or any part of it) must be applied (by its terms) to expenses (such as room and board) other than qualified education expenses.
 - The scholarship or fellowship grant (or any part of it) may be applied (by its terms) to expenses (such as room and board) other than qualified education expenses.

You may be able to increase the combined value of an education credit and certain educational assistance if the student includes some or all of the educational assistance in income in the year it is received. See Publication 970 for more information.

Highlights of Education Tax Benefits for Tax Year 2022

This chart highlights some differences among the benefits discussed in Publication 970. See the text for definitions and details. Don't rely on this chart alone.



Expenses for professional development of an educator can be claimed as an educator expense adjustment.



You generally can't claim more than one benefit for the same education expense.

What type of benefit?	What is your benefit?	What is the annual limit?
Scholarships, Fellowships, Grants, and Tuition Reductions	Amounts received may not be taxable	None
American Opportunity Credit	<p>Credits can reduce the amount of tax you have to pay.</p> <p>40% of the credit may be refundable (limited to \$1,000 per student).</p>	\$2,500 credit per student

Lifetime Learning Credit	Credits can reduce amount of tax you must pay	\$2,000 credit per tax return
Student Loan Interest Deduction	Can deduct interest paid on qualified loans. See Table, Adjustments, for more information.	\$2,500 deduction per return
Coverdell ESA* OOS if taxable	Earnings not taxed	\$2,000 contribution per beneficiary
Qualified Tuition Program (QTP) (529 Plan)*	Earnings not taxed	None

OOS if taxable		
Education Exception to Additional Tax on Early IRA Distributions*	No 10% additional tax on early distribution	Amount of qualified education expenses reduced by any tax-free educational assistance
Education Savings Bond Program* OOS	Interest not taxed	Amount of qualified education expenses
Employer Provided Educational Assistance*	Employer benefits not taxed	\$5,250 exclusion
Business Deduction for	Can deduct expenses	Amount of qualifying

Work-Related Education		work-related education expenses
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*Any nontaxable distribution is limited to the amount that doesn't exceed qualified education expenses. OOS = Out of Scope

Highlights of Education Tax Benefits for Tax Year 2022

What is the type of benefit?	What expenses qualify besides tuition and required enrollment fees?
Scholarships, Fellowships, Grants, and Tuition Reductions	Course-related expenses such as fees, books, supplies, and equipment
American Opportunity Credit	<p>Course-related books, supplies, and equipment. See What are Qualifying Expenses later for additional information.</p> <p>Note: The maximum amount of qualified education expenses is \$4,000.</p>

Lifetime Learning Credit	<p>Amounts paid for required books, etc., that must be paid to the educational institution, etc., are required fees.</p> <p>Note: The maximum amount of qualified education expenses is \$10,000</p>
Coverdell ESA* OOS if taxable	<ul style="list-style-type: none"> • Books, Supplies, Equipment • Expenses for special needs services • Payments to QTP • Higher education: Room and Board if at least half-time student • Elem/sec (K-12) education: Tutoring, Room & board, Uniforms, Transportation, Computer access

	Supplementary expenses
<p>Qualified Tuition Program (QTP) (529 Plan)*</p> <p>OOS if taxable</p>	<ul style="list-style-type: none"> • Higher Education: Books, Supplies ,Equipment • Room & board if at least half-time student • Expenses for special needs services • Computer Equipment, computer software, or Internet access and related services • Elem/sec (K-12) education: See Pub 970; Principal or interest on beneficiary's or sibling's student loan. The amount of distributions for loan repayments of any individual is limited to \$10,000 lifetime. Retroactive to TY2019

<p>Education Exception to Additional Tax on Early IRA Distributions*</p>	<ul style="list-style-type: none"> • Books, Supplies, Equipment including computer or peripheral equipment, computer software and internet access and related services if used primarily by the student enrolled at an eligible education institution • Room & board if at least half-time student • Expenses for special needs services
<p>Education Savings Bond Program*</p> <p>OOS</p>	<ul style="list-style-type: none"> • Payments to Coverdell ESA • Payments to QTP

Employer-Provided Educational Assistance*	<ul style="list-style-type: none"> • Books, Supplies and Equipment • Principal or interest on any qualified education loan
Business Deduction for Work-Related Education	<ul style="list-style-type: none"> • Transportation • Travel • Other necessary expenses

*Any nontaxable distribution is limited to the amount that doesn't exceed qualified education expenses. OOS = Out of Scope

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Highlights of Education Tax Benefits for Tax Year 2022

What is the type of benefit?	What education qualifies?	What are some of the other conditions that apply?	In what income range do benefits phase out?
Scholarships, Fellowships, Grants, and Tuition Reductions	<ul style="list-style-type: none">Undergraduate & graduateK-12	<ul style="list-style-type: none">Must be in degree or vocational programPayment of tuition and required fees must be allowed under the grant	<ul style="list-style-type: none">No phaseout
American Opportunity Credit	<ul style="list-style-type: none">Undergraduate & graduateA graduate student can claim the American Opportunity Credit if and only if the student hasn't completed the first four years before the beginning of the tax year	<ul style="list-style-type: none">Can be claimed for only 4 tax years (which includes years Hope credit claimed)Must be enrolled at least half-time in degree programNo felony drug conviction(s)Must not have completed first 4 years of postsecondary education before end of preceding tax year	<ul style="list-style-type: none">\$80,000 - \$90,000\$160,000 - \$180,000 for joint returns
Lifetime Learning Credit	<ul style="list-style-type: none">Undergraduate & graduate courses to acquire or improve job skills	<ul style="list-style-type: none">No other conditions	<ul style="list-style-type: none">\$80,000 - \$90,000\$160,000 - \$180,000 for joint returns
Student Loan Interest Deduction	<ul style="list-style-type: none">Undergraduate & graduate	<ul style="list-style-type: none">Must have been at least half-time student in degree program	<ul style="list-style-type: none">\$70,000 - \$85,000\$145,000 - \$175,000 for joint returns
Coverdell ESA* OOS if taxable	<ul style="list-style-type: none">Undergraduate & graduateK-12	<ul style="list-style-type: none">Assets must be distributed at age 30 unless special needs beneficiary	<ul style="list-style-type: none">\$95,000 - \$110,000\$190,000 - \$220,000 for joint returns
Qualified Tuition Program (QTP) (529 Plan)* OOS if taxable	<ul style="list-style-type: none">Undergraduate & graduateK -12 for no more than \$10,000 of tuitionApprenticeship program that is registered and certified by the Dept of Labor	<ul style="list-style-type: none">No other conditions	<ul style="list-style-type: none">No phaseout
Education Exception to Additional Tax on Early IR Distributions*	<ul style="list-style-type: none">Undergraduate & graduate	<ul style="list-style-type: none">No other conditions	<ul style="list-style-type: none">No phaseout
Education Savings Bond Program* OOS	<ul style="list-style-type: none">Undergraduate & graduate	<ul style="list-style-type: none">Applies only to qualified series EE bonds issued after 1989 or series I bonds	<ul style="list-style-type: none">\$85,800-\$100,800\$128,650-\$158,650 for joint and qualifying surviving spouse with a dependent child returns
Employer-Provided Educational Assistance*	<ul style="list-style-type: none">Undergraduate & graduate	<ul style="list-style-type: none">No other conditions	<ul style="list-style-type: none">No phaseout
Business Deduction for Work-Related Education	<ul style="list-style-type: none">Required by law to keep present job, salary, statusMaintain or improve job skills	<ul style="list-style-type: none">Can't be to meet minimum educational requirements of present trade/businessCan't qualify you for a new trade/business	<ul style="list-style-type: none">No phaseout

*Any nontaxable distribution is limited to the amount that doesn't exceed qualified education expenses.
OOS = Out of Scope



Taxpayers filing MFS cannot claim deductions for the American opportunity credit, lifetime learning credit, or student loan interest deductions.

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Education Credits



*Federal Section > Deductions > Credits
Menu > Education Credits; or Keyword
"EDUCA" or "886"*

Probe/Action: To determine if a taxpayer qualifies for the education credit.



Taxpayers who claim the American opportunity credit even though they are not eligible can be banned from claiming the credit for up to 10 years.

Comparison of Education Credits

Credit Conditions	American Opportunity Credit	Lifetime Learning Credit
Maximum credit	Up to \$2,500 credit per eligible student	Up to \$2,000 credit per return

Limit on modified adjusted gross income (MAGI)	\$180,000 if married filing jointly; \$90,000 if single, head of household, or qualifying surviving spouse	\$180,000 if married filing jointly; \$90,000 if single, head of household, or qualifying surviving spouse
Refundable or nonrefundable	40% of credit may be refundable ¹ ; the rest is nonrefundable	Nonrefundable—credit limited to the amount of tax you must pay on your taxable income
Number of years of postsecondary education	Available ONLY if the student had not completed the first 4	Available for all years of postsecondary education and for courses to

	years of post secondary education before 2022. See Completion of first 4 years in Publication 970.	acquire or improve job skills
Number of tax years credit available	Available ONLY for 4 tax years per eligible student (including any year(s) Hope credit was claimed	Available for an unlimited number of tax years

Type of program required	Student must be pursuing a program leading to a degree or other recognized education credential	Student does not need to be pursuing a program leading to a degree or other recognized education credential
Number of courses	Student must be enrolled at least half-time ² for at least one academic period beginning during 2022 (or the first 3 months of 2023 if the	Available for one or more courses

	qualified expenses were paid in 2022)	
Felony drug conviction	As of the end of 2022, the student had not been convicted of a felony for possessing or distributing a controlled substance	Felony drug convictions do not make the student ineligible
Qualified expenses	Tuition, required enrollment fees, and course materials that the student	Tuition and required enrollment fees (including amounts required to be paid to the

	needs for a course of study whether or not the materials are bought at the educational institution as a condition of enrollment or attendance	institution for course-related books, supplies, and equipment)
Payments for academic periods	Payments made in 2022 for academic periods beginning in 2022 or beginning in the first 3 months of 2023	Payments made in 2022 for academic periods beginning in 2022 or beginning in the first 3 months of 2023

TIN needed by filing due date	Filers and students must have a TIN by the due date of their 2022 return (including extensions)	
Educational institution's EIN	You must provide the educational institution's employer identification number (EIN) on your Form 8863, Education Credits.	

1 None of the credit is refundable if (1) the taxpayer claiming the credit is (a) under age 18 or (b) age 18 at the end of the year, and their earned income was less than one-half of their own support or (c) a full time student over 18 and under 24 and their earned income was less than one-half of their own support; and (2) the taxpayer has at least one living parent, and; (3) the taxpayer doesn't file a joint return.

2 The standard for what is half of the normal full-time workload is determined by each eligible educational institution.



Emergency financial aid grants used for a component of the cost of attendance or for unexpected expenses, unmet financial need, or expenses related to the disruption of campus operations on account of the COVID-19 pandemic, such as food, housing, health care (including mental health care), or child care, are not

*included in gross income. Taxpayers may claim the American Opportunity Credit or the Lifetime Learning Credit for eligible expenses paid with emergency financial aid grant funds if they otherwise meet the requirements for the credit. The grants may not be reported on Form 1098-T. See **Higher Education Emergency Grant FAQs** for details.*

Who Can Claim the Credit?

- Taxpayers who paid qualified educational expenses of higher education for an eligible student unless filing MFS.
- Taxpayers who paid the education expenses for a student enrolled at or attending an eligible educational institution. To determine if eligible, go to the U.S. Department of Education's Office of Post-secondary Education (OPE) website.
- The eligible student is either the taxpayer, taxpayer's spouse or their dependent.



Qualified education expenses are considered paid by the taxpayer if paid by their dependent or a third party on behalf of the dependent. If a student isn't claimed as a dependent (even if eligible to be claimed), only the student can claim an education credit no matter who paid the expenses. Anyone paying the expenses (even directly to the institution) are considered to have given a gift to the student who in turn is treated as having paid the expenses.



There are two 4-year tests for the American opportunity credit. First, the credit can be taken for only 4 tax years. Second, the student must not have completed four years of academic credit before the beginning of this tax year. Follow the examples in the "Who is an Eligible Student for the American Opportunity Credit" section in Publication 970 for additional information.

Who Can Claim a Dependent's Expenses?

If the taxpayer...	Then only...
Has a dependent who is an eligible student	The taxpayer can claim the credit based on that dependent's expenses. The dependent can't claim the credit.
Doesn't claim the dependent on the tax return	The dependent can claim the credit. The taxpayer can't claim the credit based on the dependent's expenses.

Who Can't Claim the Credit?

- Married filing separately filing status
- Anyone listed as a dependent on another person's tax return

- Taxpayers whose modified AGI is more than the allowable income limits
- Taxpayer (or the spouse) was a nonresident alien for any part of the tax year unless one of the exceptions listed in Publication 519, U.S. Tax Guide for Aliens, applies

What Expenses Qualify?

- Expenses paid for an academic period starting in 2022 or the first 3 months of 2023
- Expenses not refunded when the student withdraws from class
- Expenses paid with the proceeds from a loan

What are Qualifying Expenses?

- For the American opportunity credit, course-related materials are books, supplies, and equipment needed for a course of study whether or not the materials are purchased from the educational institution as a condition of enrollment or attendance. The purchase of computer or peripheral equipment, computer software, or Internet access and related services qualify for the credit if the student needs the computer for attendance at the educational institution.

What is Tax-Free Educational Assistance?

- Tax-free parts of scholarships and fellowships
- Pell Grants (see Publication 970)
- Employer-provided educational assistance (see Publication 970)
- Veterans' educational assistance
- Any other nontaxable payment (other than gifts or inheritances) received as educational assistance



Don't reduce the qualified education expenses by any scholarship or fellowship reported as income on the student's tax return if the use of the scholarship isn't restricted and used to pay education expenses that aren't qualified (such as room and board).



Taxpayers must have a Form 1098-T from an eligible educational institution to claim education benefits.



If the student includes the tax free educational assistance in income, has a filing requirement, and unearned income (including the taxable scholarship) over \$2,300, the student may need to file Form 8615, Tax for Certain Children Who Have Unearned Income (Kiddie Tax). In that case, the return is Out of Scope.

Determining Qualified Education Expenses

Box 1 may include nontaxable scholarship and grant amounts. Some students may choose to pay nonqualifying expenses with scholarship/Pell Grant funds, making the scholarship/Pell Grant taxable. This is true even if the scholarship/grant was paid directly to the school. This may increase the amount of qualifying expenses that can be used in calculating an education credit. Examples can be found in Coordination with Pell grants and other scholarships or fellowship grants in Publication 970.

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. Remember to include books, supplies, course related materials and equipment if claiming the American opportunity credit. Also remember to include

out of pocket payments made by the student or on the student's behalf. This includes student loans, payments, credit cards and taxable portions of scholarships/grants.

Example – Bill and Sue are eligible to claim the American opportunity credit for their daughter Sarah, who is in her first year of college. They have a Form 1098-T with \$7,000 in box 1 and a \$3,000 Pell Grant in box 5. During your interview with Bill and Sue, you determine that \$3,000 was paid by Pell Grant and \$4,000 was paid by loan proceeds. They paid \$500 for books in 2022. To calculate the eligible expenses for their credit, take the \$7,000 (\$3,000 grant + \$4,000 loan) paid in 2022, plus the \$500 for books and enter on line 1 of the worksheet below. The \$3,000 Pell Grant will be entered on line 2a. The line 3 amount is \$3,000. Subtracting line 3 from line 1, you get qualified education expenses of \$4,500. If the resulting qualified expenses are less than

\$4,000, the student may choose to treat some of the grant as income to make more of the expenses eligible for the credits.

☐ 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	OMB No. 1545-1574 2022 Form 1098-T	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.
		2		
FILER'S employer identification no. 98-000XXXX	STUDENT'S TIN 800-00-XXXX	3		
STUDENT'S name Sarah Pine		4 Adjustments made for a prior year \$ OOS	5 Scholarships or grants \$ 3,000	
Street address (including apt. no.) 123 Main Street		6 Adjustments to scholarships or grants for a prior year \$ OOS	7 Checked if the amount in box 1 includes amounts for an academic period beginning January-March 2022 <input type="checkbox"/>	
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 \$	

Form **1098-T**

(keep for your records)

www.irs.gov/Form1098T

Department of the Treasury - Internal Revenue Service

Adjusted Qualified Education Expenses Worksheet (Form 8863 instructions)

1. Total qualified education expenses paid for on behalf of the student in 2022 for the academic period.	7,500
2. Less adjustments:	
a. Tax-free educational assistance received in 2022 allocable to the academic period	3,000
b. Tax-free educational assistance received in 2023 (and before you file your 2022 tax return) allocable to the academic period	0
c. Refunds of qualified education expenses paid in 2022 if the refund is received in 2022 or in 2023 before you file your 2022 tax return	0
3. Total adjustments (add lines 2a, 2b, and 2c)	3,000
4. Adjusted qualified education expenses. Subtract line 3 from line 1. If zero or less, enter -0-	4,500



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.



Forms 1098-T with amounts listed in boxes 4 and 6 are Out of Scope (OOS).

Entering Education Credits



Federal Section>Deductions>Credits Menu>Education Credits; or Keyword “8863”

Form 8863 - Educational Credit

Select an Eligible Student

Sample Taxpayer - 700-XX-XXXX ▾

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 - ▾

If the taxpayer was under age 24 at the end of the year and met the conditions as outlined in the student under age 24 chart in this tab, they can't take the refundable American opportunity credit.



TaxSlayer will allow you to compare the education benefits and determine the largest refund using each benefit.

See determining qualified expenses page earlier in this tab.

For lifetime learning credit, course-related books, materials, and supplies are not included as qualified expenses unless paid directly to the institution as a condition of enrollment.



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

Was the student enrolled at least half-time? *

- ☒ Yes
☐ No

Did the student complete the first 4 years of post-secondary education before 2021? *

- ☐ Yes
☒ No

Was the student convicted, before the end of 2021, of a felony for possession or distribution of a controlled substance? *

- ☐ Yes
☒ No

Are you eligible for the refundable portion of the American Opportunity Credit? *

Answer NO if 1, 2, & 3 apply to you:

1: You were:

- a) Under age 18 at the end of the year, or
b) Age 18 at the end of the year and your earned income was less than one-half of your support, or
c) A full-time student over age 18 and under 24 at the end of the year and your earned income was less than one-half

of your support.

2: At least one of your parents was alive at the end of the year.

3: You are not filing a joint return for the year.

- ☐ Yes
☐ No

- Only the taxpayer is eligible to claim the credit if he or she claims the student as a dependent. Only the student is eligible if he or she isn't claimed as a dependent (even if he or she can be claimed) - no matter who pays.
- For the American opportunity credit only, qualified tuition and related expenses include books, supplies and equipment needed for the course, whether or not they were purchased from the institution as a condition of enrollment. See qualifying expenses earlier for additional clarification regarding computers.



If American opportunity credit is selected but the taxpayer is determined to be ineligible after answering qualifying questions, TaxSlayer will automatically change the credit to lifetime learning without changing the tax preparer's credit selection or any other warning.



The bottom portion of this screenshot and the chart on the next page refers to students filing their own return.



See Disallowance of Certain Refundable Credits in Tab I, Earned Income Credit, if the taxpayer received a letter saying they had to complete Form 8862, Information To Claim Certain Credits After Disallowance.



The following aren't qualifying expenses for education credits: room and board, insurance, medical, transportation, or personal expenses, even if the amount must be paid to the institution as a condition of enrollment or attendance. If the educational expenses are associated with sports, games, hobbies, or other noncredit courses, see Publication 970 for more information.

Student Under Age 24

Claiming American Opportunity Credit

Probe/Action: Ask the taxpayer	Action
1. Were you under 24 at the end of 2022?	<p>If NO, stop here; you do qualify to claim part of the allowable American opportunity credit as a refundable credit.</p> <p>If YES, go to question 2.</p>
2. Were you over 18 at the end of 2022?	<p>If YES, go to question 3.</p> <p>If NO, go to question 4.</p>
3. Were you a full-time student	<p>If NO, stop here; you do qualify to claim part of your allowable American</p>

(defined below) for 2022?	<p>opportunity credit as a refundable credit.</p> <p>If YES, go to question 5.</p>
4. Were you 18 at the end of 2022?	<p>If YES, go to question 5.</p> <p>If NO, go to question 6.</p>
5. Was your earned income (defined below) less than one-half of your support for 2022?	<p>If NO, stop here; you do qualify to claim part of your allowable American opportunity credit as a refundable credit.</p> <p>If YES, go to question 6.</p>
6. Were either of your parents alive at the end of 2022?	<p>If NO, stop here; you do qualify to claim part of your allowable American opportunity credit as a refundable credit.</p> <p>If YES, go to question 7.</p>

<p>7. Are you filing a joint return for 2022?</p>	<p>If NO, you do not qualify to claim part of your allowable American opportunity credit as a refundable credit.</p> <p>If YES, you do qualify to claim part of your allowable American opportunity credit as a refundable credit.</p>
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Earned income. Earned income includes wages, salaries, professional fees, and other payments received for personal services actually performed. Earned income includes the part of any scholarship or fellowship that represents payment for teaching, research, or other services performed by the student that are required as a condition for receiving the scholarship or fellowship. Earned income does not include that part of the compensation for personal services rendered to a corporation which represents a distribution of earnings or profits rather than a reasonable allowance as

compensation for the personal services actually rendered.

Full-time student. Solely for purposes of determining whether a scholarship is considered support, you were a full-time student for 2022 if during any part of any 5 calendar months during the year you were enrolled as a full-time student at an eligible educational institution, or took a full-time, on-farm training course given by such an institution or by a state, county, or local government agency.

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