

Tax Benefits for Education

The Taxpayer Relief Act of 1997 established two new education tax credits that may be taken by taxpayers for tuition and certain other tuition related payments made to qualified colleges and universities. The tax credits are referred to as the Hope Scholarship Tax Credit and the Lifetime Learning Credit. Under provisions of the Act, Princeton is required to report certain information to its students that may help them (or the person claiming them as a dependent) claim an education tax credit on their federal income tax return. Please note that taxpayers may elect to instead claim the deduction for higher education expenses introduced by the Economic Growth and Tax Relief Reconciliation Act of 2001.

The enclosed Form 1098-T Tuition Payments Statement includes the information required to be reported under the Act. A copy of this form is also being furnished to the Internal Revenue Service (IRS).

Qualified Tuition and Related Expense (Box 2):

The Act allows a credit for “qualified tuition and related expenses” which is defined as tuition and fees required for enrollment or attendance of the taxpayers, the taxpayer’s spouse, or the taxpayer’s dependents at an eligible institution. Qualified tuition and fees **do not include:** (1) any course or other education involving sports, games, or hobbies unless the course or other education is part of the student’s degree program or is taken to acquire or improve job skills; and, (2) charges and fees for room, board, insurance, medical expenses (including student health fees), transportation, and similar personal, living, or family expenses, regardless of whether the fee must be paid to the institution as a condition of enrollment.

Please note: Box 2 of the enclosed 1098-T includes the amount of qualified tuition and related expenses **billed by the University**. The IRS allows for the reporting of either the aggregate amount of qualified tuition and expenses paid by or on behalf of the student or the amounts billed. **The University has elected to report the amounts billed.** The enclosed form does not show the amount of tuition **paid by the student or their family**. (Therefore, Box 1 will be blank).

For undergraduates, the amount reported represents the total annual amount **billed for calendar year 2008**. For most students, the amounts reported include eligible fees included on the January 2, 2008 billing statement for the spring term of the 2007-2008 Academic Year, and on the August 20, 2008 billing statement for the fall term of the 2008-2009 Academic Year. Eligible fees include Tuition, Class Dues, Activity Fee, and the one-time Transcript Fee for freshman. The following chart is provided as a reference. Actual amounts billed (including adjustments, study abroad fees, etc.) are reflected on your Student Account statements.

<u>Class Year</u>	<u>Term Bill</u>	<u>Tuition</u>	<u>Class Dues</u>	<u>Activity Fee</u>	<u>Transcript Fee</u>	<u>Total</u>
2008	January 2008	\$16,500.00	\$125.00	\$30.00	\$0.00	\$16,655.00
2009	January 2008	\$16,500.00	\$ 25.00	\$30.00	\$0.00	
	August 2008	\$17,145.00	\$130.00	\$32.50	\$0.00	\$33,862.50
2010	January 2008	\$16,500.00	\$ 25.00	\$30.00	\$0.00	
	August 2008	\$17,145.00	\$ 27.50	\$32.50	\$0.00	\$33,760.00
2011	January 2008	\$16,500.00	\$ 25.00	\$30.00	\$0.00	
	August 2008	\$17,145.00	\$ 27.50	\$32.50	\$0.00	\$33,760.00
2012	August 2008	\$17,145.00	\$ 27.50	\$32.50	\$75.00	\$17,280.00

For graduate students, qualified tuition and related charges include the total annual amount **billed in calendar year 2008** for Tuition, the Graduate Student Government Fee, and the one-time Transcript Fee. The mandatory Student Health Plan bundled with the graduate tuition is not an eligible fee and has been removed from the tuition reported. As an allowable IRS exception, 1098-T forms will be issued only to graduate students whose tuition and related expenses were not fully waived or paid entirely with scholarships. Actual amounts billed (including adjustments, partial tuition, etc.) are included on your Student Account statements.

Tuition, February 2008:	\$ 16,500.00	(\$17,025 less the \$525.00 Student Health Plan)
Tuition, October 2008:	\$ 17,145.00	(\$17,720 less the \$575.00 Student Health Plan)
Graduate Student Government fee:	\$ 10.00	
Transcript Fee, First Year Grads:	\$ 75.00	

For students in Princeton's Program in Continuing Education, qualified tuition and related charges represent the program's tuition fee.

As indicated, the University is providing students with information regarding the amount it has **billed** for tuition and related expenses. However, under the Internal Review Code, a taxpayer may claim an education tax credit only in the year in which **a payment for tuition or expenses is actually made**. There may be a difference in the calendar year in which a tuition payment is billed by the University and the year in which it is actually paid by the taxpayer. Consequently, in some cases, the amount in Box 2 may be different than the amount the taxpayer may actually take as an education tax credit on their tax return. **Therefore, taxpayers should refer to their personal financial records to serve as the official supporting documents when claiming tax credits.**

Adjustment Made for a Prior Year (Boxes 4 and 6)

Adjustments to amounts reported in a prior tax year as Amounts Billed and/or Scholarship and Grants administered will be reported in the current tax reporting year. These adjustments may affect the amount of any allowable education tax credit for the prior calendar year (and may result in an increase in tax liability for the prior year).

Scholarships or Grants (Box 5)

Scholarships or Grants reported for the calendar year on Form 1098-T, and other similar amounts not processed by the University, may reduce the amount of allowable education tax credit for the taxable year.

Reimbursement or Refunds from an Insurance Contract (Box 10)

The amount of any reimbursements or refunds of qualified tuition and related expenses reported by an insurer may also reduce the amount an allowable education tax credit for the taxable year (and may result in an increase in tax liability for the year of the refund).

References

The taxpayer should refer to relevant IRS forms and publications, or consult with their personal tax advisor, for explanations relative to their eligibility for and calculation of any allowable educational tax credit.

IRS Form 8863 should be used to claim the Hope or Lifetime Learning Tax Credit. The deduction for higher education expenses can be taken directly on IRS Form 1040 or IRS Form 1040A.

The taxpayer should **not** contact the University regarding information relating to eligibility for and/or calculation of these tax benefits. The Student Accounts Office can only answer questions regarding amounts reported as billed, but cannot address tax questions.

For IRS information regarding educational tax credits, reference IRS Publication 970, *Tax Benefits for Higher Education*, available from their web site <http://www.irs.gov/pub/irs-pdf/p970.pdf>, or by calling the IRS at 1-800-829-1040.

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