

Hope Scholarship and Lifelong Learning Tax Credit

Your copy of this year's Form 1098-T, Tuition Payments Statement, which you will need to claim your Hope Scholarship Tax Credit or Lifelong Learning Tax Credit, is enclosed. While Liberty University does not and cannot advise families concerning education related tax benefits, the enclosed information sheets provide you with some background on both tax credits, some facts about the Hope scholarship, the Lifelong Learning Tax Credit, as well as school reporting requirements. The most frequently asked questions are the following:

Questions about entries on your form:

Why is Block 1 (Payments received for qualified tuition and related expenses) empty?

- Each educational institution can elect which method of reporting to use for this form, either amounts paid or amounts billed. Liberty University chose to use amounts billed, which appears in Block 2.

What is the amount shown in Block 2 (Amounts billed for qualified tuition and related expenses) and how was it calculated?

- The number in Block 2 represents the total of qualified tuition and related expenses billed to the student account during the calendar year 2008. In addition to tuition, this number includes the technology fee, activity fee, and course fees. Books and living expenses, such as the dorm fee, are not allowable expenses.

Do I need to check the box in Block 3 (Check if you have changed your reporting method for 2008)?

- You do NOT have to check the box in Block 3. Liberty University has not changed our reporting method for 2008.

What is the amount shown in Block 4 (Adjustments made for prior year)?

- This is the net amount of adjustments (additional charges and/or credits) made during calendar year 2008 for the prior calendar year of 2007. This may affect your 2007 tax return.

What is the amount shown in Block 5 (Scholarships and grants) and how was it calculated?

- This is the total amount of scholarships or grants that you received during the calendar year.

Who do I contact for questions/assistance?

- Go to the IRS web site (<http://www.irs.gov/individuals/index.html>) and search for Hope Scholarship or Lifetime Learning Credit.
- Please do not contact Liberty University, since we cannot advise you concerning your taxes.

National Association of Student Financial Aid Administrators

Understanding the Hope Scholarship Tax Credit

What Is It?

The Hope Scholarship is a tax credit, not a scholarship or tax deduction. Tax credits are subtracted directly from the tax a family or student owes, while tax deductions are subtracted from taxable income. To receive the Hope tax credit, a family or student must file a federal tax return and **owe taxes**. Families and students that don't pay taxes cannot receive money from the Hope credit. If a family or student owes less in taxes than the amount of Hope tax credit they are eligible for, they can only receive a credit equal to the amount of taxes owed.

For the 2008 tax year, a family or student can claim up to \$1,800 for each eligible student for up to two tax years (100% of the first \$1,200 and 50% of the second \$1,200 paid for qualified expenses). The Hope credit is only available until each student's first two years of postsecondary education are complete.

The exact amount of the Hope credit also depends on a family's income, the amount of qualified tuition and fees paid, and the amount of certain scholarships and allowances subtracted from tuition. The total credit is also based on how many eligible students are in a family. This differs from the Lifetime Learning tax credit which sets a maximum dollar amount for a family.

Who Qualifies?

The Taxpayer: An eligible taxpayer must file a federal tax return and owe taxes to claim the Hope credit. The taxpayer must also claim an eligible student as a dependent on the tax return, unless the credit is for the taxpayer or the taxpayer's spouse. (This means the eligible taxpayer may also be the eligible student.) In 2008, taxpayers cannot claim a Hope credit if their modified adjusted gross income (AGI) is \$58,000 or more for a single taxpayer (\$116,000 or more for those filing a joint return). The Hope credit amount is reduced gradually for families with incomes between \$48,000 and \$58,000 (\$96,000 and \$116,000 for joint returns). AGI limits were increased by \$1,000 for single taxpayers (\$2,000 for those filing jointly) in the 2008 tax year.

The Student: An eligible student must be enrolled at least half-time for at least one academic period beginning in 2008 at an eligible program leading to a degree or certificate at an eligible school AND must not have completed the first two years of undergraduate study. You may claim the credit yourself if you are not claimed as a dependent by another taxpayer. (Once again, this means that the eligible student may also be the eligible taxpayer.) Students convicted of a federal or state drug felony before the end of 2008 are not eligible for the Hope credit.

How Do You Get It?

To apply for the credit, taxpayers must report the amount of tuition and fees paid as well as the amount of certain scholarships, grants, and untaxed income used to pay tuition and fees in 2008. Schools are required to send this information to each taxpayer and to the IRS by Jan. 31, 2009 in the form of a 1098-T statement. Taxpayers use this information and their own records about tuition and fees paid when they fill out [IRS form 8863](#) to claim the tax credit. The statement sent by the school will also include contact information for someone at the school who can answer questions about the information on the form. A taxpayer may wish to talk to a tax advisor for help in calculating the amount of the credit.

When Is It Available?

Generally, the credit is allowed for qualified education expenses paid in 2008 for an academic period that begins in 2008 or during the first three months of 2009 (e.g., paying in December 2008 for an academic period beginning in the first three months of 2009).

Can A Family Claim Multiple Benefits?

A family may claim a Lifetime Learning credit, a Hope credit, and an exclusion from gross income for certain distributions from qualified state tuition programs or education IRAs as long as the same student isn't used as the basis for each credit or exclusion **AND** the family doesn't exceed the Lifetime Learning maximum per family.

National Association of Student Financial Aid Administrators

Understanding the Lifetime Learning Tax Credit

What Is It?

The Lifetime Learning Credit is a tax credit available to individuals who file a tax return and owe taxes. The amount of the credit is subtracted from the taxes owed, rather than reducing taxable income as with a tax deduction. Individuals who do not pay taxes are not eligible for a Lifetime Learning credit. If a taxpayer owes less in taxes than the amount of Lifetime Learning tax credit they are eligible for, they are only eligible for a credit equal to the amount of taxes they owe.

A family may claim a tax credit of up to \$2,000 per tax year for the taxpayer, taxpayer's spouse, or any eligible dependents for an unlimited number of tax years. The amount of the Lifetime Learning tax credit is 20% of the first \$10,000 of qualified educational expenses paid for all eligible students. Therefore, the maximum amount of a Lifetime Learning tax credit is \$2,000. The Lifetime Learning credit is available for all years of postsecondary education and for courses taken to acquire or improve job skills, unlike the Hope credit which is only available for two years.

The actual amount of the credit depends on a family's income, the amount of qualified tuition and fees paid, and the amount of certain scholarships and allowances subtracted from tuition. This credit is family-based (up to \$2,000 per tax return), unlike the Hope credit which is based on the number of eligible dependents in a family.

Who Qualifies?

The Taxpayer: An eligible taxpayer must file a tax return and owe taxes to claim the credit. The taxpayer must also claim the eligible student as a dependent unless the credit is for the taxpayer or the taxpayer's spouse. (This means the eligible taxpayer may also be the eligible student.) In 2008, those with a modified Adjusted Gross Income (AGI) of \$58,000 or more (if single), or \$116,000 or more (for married taxpayers filing a joint return) cannot claim a Lifetime Learning Credit. AGI limits were increased by \$1,000 for single taxpayers and \$2,000 married taxpayers for the 2008 tax year. The Lifetime Learning Tax Credit amount is reduced gradually for families with incomes between \$48,000 and \$58,000 if single, or \$96,000 and \$116,000 if married and filing jointly. Taxpayers that claim the Hope credit or tuition and fees deduction for a student are not eligible to claim the Lifetime Learning credit for the same student.

The Student: An eligible student may be enrolled in an eligible program leading to an undergraduate or graduate degree at an eligible school during the calendar year **OR** may be enrolled in any course of instruction at an eligible school to acquire/improve the student's job skills during the calendar year. Students may claim the credit themselves if they are not claimed as a dependent by another taxpayer. (Once again, this means that the eligible student may also be the eligible taxpayer.)

How Do You Get It?

To apply for the credit, the taxpayer must report the amount of tuition and fees paid as well as the amount of certain scholarships, grants, and untaxed income used to pay the tuition and fees. Schools must send this information to taxpayers and to the IRS by January 31, 2009, in the form of a 1098-T statement. Taxpayers will use this information and their own records about tuition and fees paid when they fill out the [IRS Form 8863](#) to claim the tax credit. The statement sent by the school will also include contact information for someone at the school who can answer questions about the information on the form. A taxpayer may wish to talk to a tax advisor for help in calculating the amount of its credit.

When Is It Available?

Generally, the deduction is allowed for qualified tuition and expenses paid in 2008 in connection with enrollment at an institution of higher education during 2008 or for an academic period beginning in 2008 or in the first three months of 2009. For instance, if you paid \$1,500 in December 2008 for qualified tuition for a spring 2008 semester that begins in January 2009, that \$1,500 can be used to figure the 2008 deduction.

Can A Family Claim Multiple Benefits?

A family may claim a Lifetime Learning credit, a Hope credit, and an exclusion from gross income for certain distributions from qualified state tuition programs or education IRAs as long as the same student isn't used as the basis for each credit or exclusion **AND** the family doesn't exceed the Lifetime Learning maximum per family.