

Taxes from a Student Viewpoint

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Tax Talk

Your Tax Return

Income

Adjustments

Adjusted Gross Income

Itemized or Standard Deduction

Total Taxable Income

Tax on Total Taxable Income

Credits and Payments to Date

Taxes Due or Refund

Tax Talk

Income

- Employment Wages (W2, 1042)
 - Self Employment (1099)
 - Interest, Dividends, Gains
 - Some Scholarship
 - Fellowships
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Tax Talk

Income - Scholarships, Fellowships

Tax-Free if -

- You are a candidate for a degree at an educational institution that maintains a regular faculty and curriculum and
 - The amounts received are used to pay for tuition and fees required for enrollment or attendance at the educational institution, or for fees, books, supplies, and equipment required for courses at the educational institution.
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Tax Talk

Income - Scholarships, Fellowships

Taxable (unearned income) if -

- Amounts are used for incidental expenses, such as room and board, travel, and optional equipment.
- Amounts received as payments for teaching, research, or other services required as a condition for receiving the scholarship or fellowship grant.

(Note: any amounts received for services that are required by the National Health Service Corps Scholarship Program or the Armed Forces Health Professions Scholarship and Financial Assistance Program are not taxable).

Tax Talk

Total Income

Adjustments - e. g. -

- **Traditional Retirement Fund Contributions**
- **Student Loan Interest**

Adjusted Gross Income

Tax Talk

Student Loan Interest

Reduce your income subject to tax by up to \$2,500.

Your student loan:

- Solely to pay qualified education expenses
- Can't be from a related person Student qualifications

The student must be:

- You, your spouse, or your dependent
- At least half-time in a degree program

Limit - \$90,000 (Single), \$185,000 (Married)

Tax Talk

Adjusted Gross Income

Itemized or Standard Deduction

Total Taxable Income

Tax on Total Taxable Income

Tax Talk

Tax on Total Taxable Income

Credits (e.g. Lifetime Learning Credit)

Payments

Withholding

Estimated Payments

Taxes Due or Refund

Tax Talk

Lifetime Learning Credit

Up to \$2,000 credit per return

Limit \$90,000 (single), \$180,000 (married)

Nonrefundable

Available for unlimited years of postsecondary education

Student doesn't need to be pursuing a degree program

Qualified expenses (Paid to the School)

- Tuition
- Required fees
- Course-related books
- Supplies and equipment)

Payments made for 2023 first 3 months of 2024

Tax Talk

FICA (Federal Insurance Contributions Act) Payments

Generally, FICA (Social Security and Medicare) tax applies to wages paid and self employment income.

However, work performed in the employ of a university or organization exclusively for the benefit of that university is exempt if -

- Work performed by a regular (half time or more) student
- Work performed “as an incident to and for the purpose of pursuing a course of study”
- The course of study must require at least two semester, trimesters, or quarters to complete and must lead to a degree

(Note: - Taxable Scholarship and Fellowship payments are not normally subject to FICA tax payments)

Tax Talk

Affect of TCJA on Student Tax Benefits

Eliminated

Tuition and fees deduction

Work-related education deduction for employees

Retained

American opportunity credit

Lifetime learning credit

Rules for scholarships, fellowships and grant

Ed exception to early distribution penalty for IRAs

Ed savings bond exclusion

Student loan interest deduction

Student loan repayment assistance

Education benefits for saving for education

Coverdell Education Savings Accounts

Work-related education deduction for self employed

Tax Talk

References

Publication 17 (279 pp)

Publication 970, “Tax Benefits for Education” (86 pp)

Instructions for

Form 1040 (117 pp)

Form 8863 (8 pp)

Go to www.irs.gov - “Forms and Publications”

Tax Talk

**Ask me now, or ...
Come and See Me!**

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