

2011

Instructions for Forms 1098-E and 1098-T



Department of the Treasury
Internal Revenue Service

Section references are to the Internal Revenue Code unless otherwise noted.

What's New

Pilot program for truncating an individual's identifying number on paper payee statements has ended. Filers of Forms 1098-E and 1098-T must show the borrower's/student's complete identifying number on all copies of the form.

Reminder

General instructions. In addition to these specific instructions, you should also use the 2011 General Instructions for Certain Information Returns (Forms 1097, 1098, 1099, 3921, 3922, 5498, and W-2G). Those general instructions include information about the following topics.

- Backup withholding.
- Electronic reporting requirements.
- Penalties.
- Who must file (nominee/middleman).
- When and where to file.
- Taxpayer identification numbers.
- Statements to recipients.
- Corrected and void returns.
- Other general topics.

You can get the general instructions at IRS.gov or by calling 1-800-TAX-FORM (1-800-829-3676).

Form W-9S. You may use Form W-9S, Request for Student's or Borrower's Taxpayer Identification Number and Certification, to obtain the student's or borrower's name, address, taxpayer identification number, and student loan certification to be used when filing Form 1098-E or 1098-T. Use of Form W-9S is optional; you may collect the information using your own forms, such as financial aid applications, and procedures. You may collect the student's or borrower's information on paper or electronically.

Electronic submission of Form W-9S. An educational institution, insurer, or lender may establish a system for students and borrowers to submit Form W-9S electronically, including by fax. Generally, the electronic system must:

1. Ensure the information received is the information sent and document all occasions of user access that result in the submission,
2. Make reasonably certain the person accessing the system and submitting the form is the person identified on Form W-9S,
3. Provide you with the same information as the paper Form W-9S, and
4. Be able to supply a hard copy of the electronic Form W-9S if the Internal Revenue Service requests it.

Also, if an electronic Form W-9S is used to obtain the borrower's certification that all the loan proceeds are used solely to pay qualified higher education expenses, your electronic system must require, as the final entry in the submission, an electronic signature by the borrower whose name is on Form W-9S. The signature authenticates and verifies the submission. See Announcement 98-27, which is on page 30 of Internal Revenue Bulletin 1998-15 at www.irs.gov/pub/irs-irbs/irb98-15.pdf.

Electronic reporting. For Forms 1098-E and 1098-T, you must file electronically if you are required to file 250 or more

returns. See part F in the 2011 General Instructions for Certain Information Returns for more information.

Penalties. For Forms 1098-E and 1098-T, penalties may be imposed for failure to file or failure to furnish correct forms. However, under certain circumstances, the penalties may be waived. See part O in the 2011 General Instructions for Certain Information Returns for more information.

Specific Instructions for Form 1098-E

File Form 1098-E, Student Loan Interest Statement, if you receive student loan interest of \$600 or more from an individual during the year in the course of your trade or business.

The \$600 threshold applies to each borrower regardless of the number of student loans obtained by that borrower. However, you may file a separate Form 1098-E for each student loan of the borrower, or you may file one Form 1098-E for the interest from all student loans of the borrower.

Who must file. File Form 1098-E if you are a financial institution, governmental unit (or any of its subsidiary agencies), educational institution, or any other person who receives student loan interest of \$600 or more from an individual during the year in the course of your trade or business.

If more than one person has a connection with the loan, only the first person to receive the interest payment must file Form 1098-E. For example, a loan service or collection agent receiving payments on behalf of the lender must file.

Qualified student loan. To be reportable for 2011, a student loan must be either:

- Subsidized, guaranteed, financed, or otherwise treated as a student loan under a program of the Federal, state, or local government, or of a postsecondary educational institution, or
- Certified by the borrower as a student loan incurred solely to pay qualified higher education expenses. You may use Form W-9S to obtain the certification.

Revolving accounts. Report interest paid on revolving accounts, such as credit card accounts, only if the borrower certifies that all the loan proceeds are solely used to pay qualified higher education expenses. You do not have to verify the borrower's actual use of the funds. Do not report interest on mixed use loans.

Loans under qualified plans. Do not report interest on loans made under a qualified employer plan, as defined in section 72(p)(4), or under a contract purchased under a qualified employer plan within the meaning of section 72(p)(5).

Additional information. For more information about reporting student loan interest, see Regulations section 1.6050S-3.

Statements to borrowers. If you are required to file Form 1098-E, you must provide a statement or acceptable substitute, on paper or electronically, to the borrower. For more information about the requirements to furnish a statement to the borrower, see part M in the 2011 General Instructions for Certain Information Returns.

Recipient's/lender's name, address, and telephone number box. Enter the name, address, and telephone number of the filer of Form 1098-E. Use this same name and address on Form 1096, Annual Summary and Transmittal of U.S. Information Returns.

Account number. The account number is required if you have multiple accounts for a recipient for whom you are filing more than one Form 1098-E. Additionally, the IRS encourages you to

designate an account number for all Forms 1098-E that you file. See part L in the 2011 General Instructions for Certain Information Returns.

Box 1. Student Loan Interest Received by Lender

Enter the interest you received on a student loan(s) during the calendar year. For loans made on or after September 1, 2004, you are required to include loan origination fees and/or capitalized interest in box 1. See Regulations section 1.221-1(f).

Box 2. Checkbox

Check this box if loan origination fees and/or capitalized interest are not reported in box 1 for loans made before September 1, 2004.

Specific Instructions for Form 1098-T

File Form 1098-T, Tuition Statement, if you are an eligible educational institution. You must file for each student you enroll and for whom a reportable transaction is made. Also, if you are an insurer, file Form 1098-T for each individual to whom you made reimbursements or refunds of qualified tuition and related expenses.

Exceptions. You do not have to file Form 1098-T or furnish a statement for:

- Courses for which no academic credit is offered, even if the student is otherwise enrolled in a degree program;
- Nonresident alien students, unless requested by the student;
- Students whose qualified tuition and related expenses are entirely waived or paid entirely with scholarships or grants; and
- Students for whom you do not maintain a separate financial account and whose qualified tuition and related expenses are covered by a formal billing arrangement between an institution and the student's employer or a governmental entity, such as the Department of Veterans Affairs or the Department of Defense.

Who must file. You must file Form 1098-T if you are an eligible educational institution. An eligible educational institution that is a governmental unit, or an agency or instrumentality of a governmental unit, is subject to the reporting requirements of Form 1098-T. A designated officer or employee of the governmental entity must satisfy the reporting requirements of Form 1098-T.

Eligible educational institutions may choose to report payments received, or amounts billed, for qualified tuition and related expenses. The eligible educational institution must use the same reporting method for all calendar years unless the IRS grants permission to change the reporting method. For information on how to obtain automatic consent to change your reporting method, see the instructions for box 3 on page 3.

If another person receives or collects payments of qualified tuition and related expenses on your behalf, the other person must file Form 1098-T. However, if the other person does not possess the information necessary to comply with the reporting requirements of Form 1098-T, then you must satisfy the reporting requirements of Form 1098-T.

Also, if you are an insurer engaged in a trade or business of making refunds or reimbursements of qualified tuition and related expenses, you are required to file Form 1098-T. See the instructions for box 10 on page 3.

Eligible educational institution. An eligible educational institution is a college, university, vocational school, or other postsecondary educational institution that is described in section 481 of the Higher Education Act of 1965 as in effect on August 5, 1997, and that is eligible to participate in the Department of Education's student aid programs. This includes most accredited public, nonprofit, and private postsecondary institutions.

Qualified tuition and related expenses. Qualified tuition and related expenses are tuition and fees a student must pay to be enrolled at or attend an eligible educational institution.

The following are **not** qualified tuition and related expenses.

- Amounts paid for 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.
- Charges and fees for room, board, insurance, medical expenses (including student health fees), transportation, and similar personal, living, or family expenses.

Academic credit. Academic credit is credit awarded by an eligible educational institution for the completion of course work leading to a postsecondary degree, certificate, or other recognized postsecondary educational credential.

Example. Student A, a medical doctor, takes a course at University X's medical school. Student A takes the course to fulfill State Y's licensing requirement that medical doctors attend continuing medical education courses each year. Student A is not enrolled in a degree program at University X and takes the medical course through University X's continuing professional education program. University X does not award Student A credit toward a postsecondary degree on an academic transcript for the completion of the course but gives Student A a certificate of attendance upon completion. University X is not required to file Form 1098-T for the course taken by Student A.

Academic period. You must file Form 1098-T for each student who is enrolled in your institution for any academic period (for example, semester, trimester, or quarter) in 2011. Determine your enrollment for each period under your own rules or use one of the following dates.

- 30 days after the first day of the academic period.
- A date during the period when enrollment data must be collected for purposes of the Integrated Postsecondary Education Data System administered by the Department of Education.
- A date during the period when you must report enrollment data to the state, to your governing board, or to some other external governing body.

Additional information. For more information about reporting on Form 1098-T, see Regulations section 1.6050S-1. Also see Notice 2006-72, 2006-36 I.R.B. 363, available at http://www.irs.gov/irb/2006-36_IRB/ar10.html for guidance in a question and answer format on the information reporting requirements for Form 1098-T.

Statements to students. If you are required to file Form 1098-T, you must provide a statement or acceptable substitute, on paper or electronically, to the student.

Electronic delivery of Form 1098-T. Educational institutions may present the option to consent to receive Form 1098-T electronically as part of a global "Consent to do Business Electronically," combining consent for electronic delivery of Form 1098-T along with other institutional student business functions such as admissions, registration, billings, and direct deposits.

The global consent process must meet all the consent, disclosure, format, notice, and access period requirements for electronic furnishing of Forms 1098-T as required by paragraphs (a)(2) through (6) of Treasury Regulations 1.6050S-2. For more information about the requirements to furnish a statement to each student, see part M in the 2011 General Instructions for Certain Information Returns.

Student's address. In the student's address box of Form 1098-T, enter the student's permanent address. That is, enter the student's home or other long-term address where he or she can receive forwarded mail. You may use a temporary address only if you do not know the permanent address.

Information contact and service provider. You must provide your name, address, and telephone number. In addition, you may include information on a third-party service provider who filed the form or who may answer questions about the statement. Enter the service provider's information in the box below the student's name and address.



You must provide the telephone number for the information contact at the institution. Generally this is an administrative office or department. Do not provide the institution's general telephone number.

Account number. The account number is required if you have multiple accounts for a recipient for whom you are filing more than one Form 1098-T. Additionally, the IRS encourages you to designate an account number for all Forms 1098-T that you file. See part L in the 2011 General Instructions for Certain Information Returns.

Box 1. Payments Received for Qualified Tuition and Related Expenses

If you use this method of reporting, enter the amount of payments received for qualified tuition and related expenses from any source during the calendar year. The amount reported is the total amount of payments received less any reimbursements or refunds made during the calendar year that relate to the payments received for qualified tuition and related expenses during the same calendar year.

Box 2. Amounts Billed for Qualified Tuition and Related Expenses

If you use this method of reporting, enter the amounts billed during the calendar year for qualified tuition and related expenses. The amount reported is the total amount billed less any reductions in charges made during the calendar year that relate to the amounts billed for qualified tuition and related expenses during the same calendar year.

Box 3. Checkbox for Change of Reporting Method

Check this box if you have changed your method of reporting (payments received or amounts billed). You have changed your method if the method you are using for 2011 is different than the method you used for 2010.

In general, you must make a written submission to the IRS at least 3 months before the due date of the returns for the year of the change. To change your method of reporting for 2012, you must make the submission no later than November 28, 2012, if you file your returns on paper (or January 2, 2013, if you file electronically). For additional requirements, see Rev. Proc. 2005-50, 2005-32 I.R.B. 272 available at http://www.irs.gov/irb/2005-32_IRB/ar16.html.

Box 4. Adjustments Made for a Prior Year

Payments received. Enter reimbursements or refunds of qualified tuition and related expenses made during the calendar year that relate to payments received that were reported for any prior year after 2002.

Amounts billed. Enter any reductions in charges made for qualified tuition and related expenses made during the calendar year that relate to amounts billed that were reported for any prior year after 2002.

Box 5. Scholarships or Grants

Enter the total amount of any scholarships or grants that you administered and processed during the calendar year for the payment of the student's costs of attendance. However, see *Exceptions* on page 2.

Box 6. Adjustments to Scholarships or Grants for a Prior Year

Enter the amount of any reduction to the amount of scholarships or grants that were reported for any prior year after 2002.

Box 7. Checkbox for Amounts for an Academic Period Beginning in January through March of 2012

Check this box if any payments received, or amounts billed, for qualified tuition and related expenses reported for 2011 relate to an academic period that begins in January through March of 2012.

Box 8. Check if at Least Half-Time Student

Check this box if the student was at least a half-time student during any academic period that began in 2011. A half-time student is a student enrolled for at least half the full-time academic workload for the course of study the student is pursuing. Your institution's standard for a half-time student workload must equal or exceed the standards established by the Department of Education under the Higher Education Act and set forth in 34 C.F.R. section 674.2(b).

Box 9. Check if a Graduate Student

Check this box if the student was a graduate student. The student is a graduate student if the student was enrolled in a program or programs leading to a graduate-level degree, graduate-level certificate, or other recognized graduate-level educational credential.

Box 10. Insurance Contract Reimbursements or Refunds

If you are an insurer, enter the total amount of reimbursements or refunds of qualified tuition and related expenses that you made to the student during 2011.