

Returns Relating to Higher Education Tuition and Related Expenses

Notice 98-59

PURPOSE

This notice modifies Notice 97-73, 1997-2 C.B. 335, and Notice 98-46, 1998-36 I.R.B. 21, by providing that the Internal Revenue Service will not require an eligible educational institution to file information returns under § 6050S of the Internal Revenue Code for 1998 or 1999 with respect to students who are enrolled during the year only in courses for which the student receives no academic credit from the institution. In addition, this notice modifies Notice 97-73 and Notice 98-46 by providing that eligible educational institutions are not required to file information returns for 1998 or 1999 with respect to nonresident alien students, unless requested to do so by the student.

BACKGROUND

Section 6050S, enacted by the Taxpayer Relief Act of 1997, Pub. L. No. 105-34, § 201(c), 111 Stat. 804, requires the filing of information returns to assist taxpayers and the Service in determining the Hope Scholarship credit and the Lifetime Learning credit that taxpayers may claim pursuant to § 25A of the Code. Section 6050S requires that eligible educational institutions file the specified information returns with the Service and

provide a corresponding statement to the individuals named on the information return showing the information that has been reported.

The requirements of § 6050S are generally described in Notice 97-73, along with the specific information reporting requirements for 1998. The Service announced in Notice 98-46 that it is extending the application of Notice 97-73 to information returns required under § 6050S for 1999.

Notice 97-73 provides that an eligible educational institution that receives payments of qualified tuition and related expenses must file a Form 1098-T, Tuition Payments Statement, with the Service with respect to the student on whose behalf the payments were received. Consequently, information reporting is required even if the student is enrolled during the year only in courses for which the student receives no academic credit from the institution, because the payments may be for qualified tuition and related expenses that are eligible for the Lifetime Learning credit (although not for the Hope Scholarship credit). Further, information reporting is required even if the student is a nonresident alien for any portion of the year.

DISCUSSION

Treasury may exempt educational institutions from the reporting requirements of § 6050S with respect to certain categories of students, such as non-degree students enrolled in a course for which the institution grants no academic credit, provided

the exemptions do not undermine the overall compliance objectives of § 6050S. See H.R. Conf. Rep. No. 599, 105th Cong., 2d Sess. at 322 (June 24, 1998). Pending the issuance of regulations under § 6050S, and consistent with the limited information reporting required by Notice 97-73 and Notice 98-46, the Service will not require eligible educational institutions to file Forms 1098-T for 1998 or 1999 with respect to students who are enrolled during the year only in courses for which the students receive no academic credit from the institution. In addition, such institutions are not required to file Forms 1098-T for 1998 or 1999 with respect to nonresident alien students, unless requested to do so by the student.

The Treasury Department intends to issue regulations on the information reporting requirements of § 6050S. The Service will not impose penalties on an institution if it complies with Notice 97-73, as modified by this notice, for 1998 and 1999.

EFFECT ON OTHER DOCUMENTS

Notice 97-73 and Notice 98-46 are modified.

DRAFTING INFORMATION

The principal author of this notice is John J. McGreevy of the Office of the Assistant Chief Counsel (Income Tax and Accounting). For further information regarding this notice contact him on (202) 622-4910 (not a toll-free call).