

COLLEGE MADE EASY: STUDENTS AND TAXES

Who must file a tax return?

Citizens and resident non-citizens of the United States must file federal tax returns if they have earned income above a certain threshold. To file means to report to the IRS income earned and to determine tax liability for the year. Note, the exact income threshold changes yearly and is based on other factors as well.

When students should file a return.

- If students have earned income, even under the income threshold, they can still file to get a refund (full or partial) of income tax withheld. Pell Grants are not taxable income.
- If parents are paying half of their child's living expenses, the parents may want to claim the student as a dependent and take advantage of the exemptions for dependents. If this is the case, the student taxpayer cannot claim any exemptions for themselves.
- Students, or their parents, have three main college credits they can claim that include the American Opportunity Credit, the Lifetime Learning Credit and the higher education expenses deduction.



Student loans

Loans for school are not considered income. However, students can claim the interest on student loans if they are paying on the loans and are not a dependent on parents' taxes.

How does one file?

Gather documents. There will be W-2s from employers and perhaps: 1099-MISC from contract work performed, 1099-INT from banks for interest income, 1099-DIV from investment dividends, 1098-T from tuition paid, other 1099 forms and 1098 forms. Students can file for free through a VITA site on campus, through software, or by hiring a tax preparer.

ARE SCHOLARSHIPS CONSIDERED TAXABLE INCOME?

Generally, money that exceeds the amount needed for tuition and fees, and required course-related expenses at an accredited educational institution (such as the University of Utah) is considered taxable income.

That means:

You DO NOT need to pay taxes on scholarship money:

- Used for tuition and fees, and course-related expenses (i.e., fees, books, supplies, and equipment required for your courses)

You DO need to pay taxes on scholarship money:

- Used for room and board, travel, and living expenses
- That represents payment for teaching, research, or other services required as a condition for receiving the scholarship

Note, non-taxable scholarships can go beyond tuition, books, and fees. See Treas. Reg. § 1.117-3. Definitions.—(a), (d). Also, see IRS Publication 970, Tax Benefits for Education.



For more information:

The Financial Wellness Center financialwellness.utah.edu

Financial Aid and Scholarships financialaid.utah.edu

Internal Revenue Service irs.gov



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