

ANSWERS

SESSION 8 – EDUCATION

- The answer is a.** Stephen qualifies as a QC of the Jones's, as he is a full-time student under the age of 24, provided less than half of his support, and lived with his parents all year (we ignore "temporary absences" such as being away at college in testing whether the child lived with the support providers). He does not qualify for the CTC because of his age and therefore qualifies for the ODC.
- The answer is a.** Stephen qualifies for the American Opportunity Credit. He is in his first four years of post-secondary education and satisfies all the other requirements for claiming the AOC. We always want to use the AOC if the taxpayer qualifies.
- The answer is b.** Stephen could claim the credit, but he has no tax liability (his income is less than his standard deduction) and could not claim the refundable portion of the AOC. The parents claim Stephen as a Dependent, have sufficient income to benefit from the credit, and qualify for the refundable portion of the AOC. Thus, the parents should claim the AOC.
- The answer is \$2,500.** Here is the computation of his QEE:

QEE shown in Box 1 of Form 1098-T	8,700
Plus Books	500
Plus Online textbook access	100
Less Restricted scholarship	<u>-6,800</u>
Total QEE to allocate to AOC	2,500

Note that the meal plan and parking sticker do not qualify as QEE. In addition, because his scholarship must be spent on tuition, it is a restricted scholarship, and we are not permitted to optimize the AOC in this situation.