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IRS Form 1098T – Tuition Payments

It's time again to begin preparing for your annual 1098T filing. Basically, 1098T forms report tuition and fee payments made by students that qualify for Hope Scholarships and Lifetime Learning Tax Credits. As with most IRS requirements, these tax credits can be somewhat difficult for many tax filers. Schools should instruct their students to consult with a tax advisor regarding the proper deductions that may be taken.

Who must file?

You must file Form 1098T if you are an **eligible educational institution**. An eligible educational institution is a college, university, vocational school, or other post-secondary educational institution that is described in section 481 of the Higher Education Act of 1965; and that is eligible to participate in the Department of Education's student aid programs. This includes most accredited public, nonprofit, and private post-secondary institutions. You must file a 1098T report for each student you enroll and for whom a reportable transaction is made.

When must you file?

Filer's of Form 1098T (institutions) must furnish 1098Ts to its student recipients by February 2, 2010. A complete filing of all 1098Ts with the IRS is due electronically by March 31, 2010. The IRS no longer accepts any form of magnetic media. Electronic filing is the only method to report information returns to the IRS.

Exceptions

You do not have to file Form 1098T 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 and grants; and
- Students 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.

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, transportation, and similar personal, living, or family expenses.

The following is a detailed description of the required elements on a 1098T form:

Box 1. Payments received for qualified tuition and related expenses

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 the same calendar year.

Box 2. Amounts billed for qualified tuition and related expenses

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 the same calendar year.

Schools will complete only Box 1 OR Box 2 NOT BOTH. Schools may choose whether to report tuition payments received OR tuition billed during the year. Most schools will find it easier to report payments received using Box 1. Do not use Box 2 unless you are choosing to report amounts billed rather than received. Using this approach will require a significant amount of adjustments next year for amounts billed that were either reversed by withdrawal credits or have never been paid.

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 2009 is different from the method you used in 2008.

Box 4. Adjustments made for a prior year

Enter reimbursements or refunds of qualified tuition and related expenses made during the calendar year that relate to payments received that were reported for a prior year. Example, a student receives a \$3500 Stafford loan payment for tuition in December 2008. This payment is reported on last year's 1098T Form. During 2008 a refund of \$1000 was made on the loan. This refund must be reported in Box 4 to adjust the student's tax records reflecting a lesser loan amount applied to tuition, and accordingly, a lesser tax credit afforded to the student.

If you previously reported tuition and fees billed using Box 2 as opposed to amounts received under Box 1, then 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 a prior year. (Only for schools using the "Box 2" approach. This affects very few, if any, schools.

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.

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 a prior year.

Box 7. Checkbox for amounts for an academic period beginning in January through March of 2010

Check the box if any payments received, or amounts billed, for qualified tuition and related expenses reported for 2009 relate to an academic period that begins in January through March of 2010. This only affects students who make payments in 2009 for charges that will not be incurred until the first quarter of 2010.

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 2009.

Box 9. Check if a graduate student (SEEKING A GRADUATE-LEVEL DEGREE/CERTIFICATE/CREDENTIAL)

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 for the student during 2009.

Need Help With Your 1098T Filing?

GEMCOR offers 1098T preparation and filing services for those who need assistance. We are an approved electronic filer of information returns with the IRS. The IRS no longer accepts any form of magnetic media. Electronic filing is the only method to report information returns to the IRS. Keep in mind that students must still receive their 1098T forms by February 2, 2010 regardless of how you file with the IRS.

Basic 1098T Services

With data provided by the school, GEMCOR will prepare individual 1098T forms and mail them to your students by February 1st 2010. Student Social Security Numbers will not be displayed in the window of the envelope. We will also complete your IRS filing electronically and will furnish a complete report of all 1098T forms prepared for your school. The cost for this service is \$2.52 per student. **Data must be provided by January 21st 2010** in the following ordered specification either ASCII fixed file format, delimited file format, EXCEL spreadsheet, or MSAccess database format. (See attached Excel Spreadsheet for an example of the data we expect to receive) Additional fees will apply for data provided in paper format.

Data fields required include: (****each bullet item must be a separate data field using the column names below only** **)

Column Heading	Description of Data
SSN	Student 9 digit Social Security (Number without dashes)
FIRST	Student First Name
LAST	Student Last Name
STREET	Student Street Address
CITY	Student City
STATE	Student State
ZIP	Student 5 digit Zip Code
BOX1	Payments Received for qualified tuition and related expenses
BOX2	Amounts billed for qualified tuition and related expenses
BOX3	Checkbox for change in reporting method
BOX4	Adjustments made for a prior year
BOX5	Scholarships and Grants
BOX6	Adjustments to Scholarships and Grants for a prior year
BOX7	Checkbox for amounts for an academic period beginning in January-March 2010
BOX8	Check if at least half-time student
BOX9	Check if a Graduate Student (Seeking Graduate-Level Degree/Certificate/Credential)
BOX10	Contract Reimbursements or Refunds

We can extract data from our internal systems for Pell, SEOG, and Direct Loan awards made to your students. However, we do not have cash payments, FFEL loans, or non-federal grants and scholarships for your students. Also, our records would include **all** Pell, SEOG and Direct Loan amounts. If any portion of these awards were given to students for living expenses, those would need to be backed out of the amount for Box 1, which must include only amounts received for tuition and fees. A fair amount of communication must occur between our offices to produce accurate 1098Ts for 2008. Please contact us as soon as possible to schedule your 1098T preparation services.

Sincerely,

Laurie Grybas
Director of Information Systems
Client Processing Division
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