

Part III - Administrative, Procedural and Miscellaneous

Returns Relating to Higher Education Tuition and Related Expenses

Notice 98-46

PURPOSE

This notice provides that the Internal Revenue Service and the Treasury Department are extending the application of Notice 97-73, 1997-51 I.R.B. 16, to information reporting required under § 6050S of the Internal Revenue Code for 1999.

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 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 specific information reporting requirements for 1998. However, as a result of amendments to § 6050S made by the Internal Revenue Service Restructuring and Reform Act of 1998, Pub. L. No. 105-206, 112 Stat. 685, certain information reporting requirements under § 6050S have been

clarified or changed. First, the amendments clarify that § 6050S requires institutions to report the aggregate amount of payments made with respect to each student for qualified tuition and related expenses without any amounts being subtracted for qualified scholarships or other tax-free educational assistance received with respect to the student. Further, § 6050S(b)(2)(C), as amended, specifically requires that the amount of any grant received by the student for payment of costs of attendance and processed by the institution making the information return be reported as a separate item. Section 6050S(b)(2)(C) was also amended to clarify that an institution must report only the aggregate amount of reimbursements and refunds of qualified tuition and related expenses paid to a student by the institution (and not by any other party). Finally, § 6050S(a) was amended to clarify that only eligible educational institutions and persons engaged in a trade or business of making payments to individuals under insurance arrangements are required to report information under § 6050S. In all other respects, the requirements of § 6050S remain the same as described in Notice 97-73.

The Treasury Department intends to issue regulations soon on the information reporting requirements of § 6050S. In light of the recent statutory changes and legislative history prepared in connection with those changes indicating Congress's intent that Notice 97-73 remain in effect until the regulations are issued, the Service is extending the application of Notice 97-73 for an additional year, i.e., to information reporting required under §

6050S for 1999.

DISCUSSION

For 1999, eligible educational institutions must follow the rules provided in Notice 97-73 for reporting information required under § 6050S. For example, an eligible educational institution that receives payments of qualified tuition and related expenses in 1999 must file a Form 1098-T, Tuition Payments, that includes the same information that was required by Notice 97-73 for 1998. The Forms 1098-T must be filed with the Service by February 28, 2000, if filed on paper or by magnetic media, or by March 31, 2000, if filed electronically. A statement containing the same information as the Form 1098-T filed with the Service must be furnished to the student by January 31, 2000. Similarly, Notice 97-73 applies for 1999 with respect to how penalties will be administered under §§ 6721 and 6722 for information returns required under § 6050S.

EFFECT ON OTHER DOCUMENTS

Notice 97-73 is 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).