**Tax Information**

**Tax Relief Act of 1997**
The Tax Relief Act of 1997 created two Federal income tax credits for eligible students, the Hope Scholarship Tax Credit and the Lifetime Learning Credit. Under the provision of this Act, Montclair State University is required to report information to the Internal Revenue Service. MSU must also provide all students for whom a return is filed with a similar statement called the 1098-T. The 1098-T form contains the same information that is supplied to the IRS. 1098-T forms are mailed out to all students by January 31 of each year.

**Hope Scholarship Credit**
The Hope Scholarship is a tax credit, not a scholarship. Tax credits are subtracted directly from the tax a family owes, instead of being subtracted from taxable income like a tax deduction. A family must file a federal tax return and owe taxes to get this tax credit. A family cannot get a refund for the Hope credit if it does not pay taxes. A family that owes less tax than the maximum amount of the Hope tax credit for which it is eligible can only take a credit up to the amount of taxes owed.

A family may claim a tax credit up to $1,500 for each eligible dependent for up to two tax years (100% of the first $1,000 and 50% of the second $1,000 paid for qualified expenses). The Hope credit is available only until each student's first two years of postsecondary education are complete.

The exact amount of the Hope credit also depends on a family's income, the amount of qualified tuition and fees paid, and the amount of certain scholarships and allowances subtracted from tuition. The total credit is also based on how many eligible dependents are in the family, rather than a maximum dollar amount for the family as with the Lifetime Learning tax credit.

**Lifetime Learning Tax Credit:**
The Lifetime Learning credit is a tax credit available to individuals who file a tax return and owe taxes. The amount of the credit is subtracted from the taxes owed, rather than reducing taxable income as with a tax deduction. Individuals who do not pay taxes are not eligible for a Lifetime Learning credit. Taxpayers who owe less tax than the maximum amount of the Lifetime Learning tax credit for which they are eligible can only take a credit up to the amount of taxes owed.

A family may claim a tax credit of up to $2,000 per tax year for the taxpayer, taxpayer's spouse, or any eligible dependents for an unlimited number of tax years. The amount of the Lifetime Learning tax credit is 20% of the first $10,000 of qualified educational expenses paid for all eligible students. Therefore, the maximum amount of a Lifetime Learning tax credit is $2,000. The Lifetime Learning credit is available for all years of postsecondary education and for courses to acquire or improve job skills, unlike the Hope credit which is only available for two years.

The actual amount of the credit depends on a family's income, the amount of qualified tuition and fees paid, and the amount of certain scholarships and allowances subtracted from tuition. This credit is family-based (up to $2,000 per tax return) rather than based on the number of dependents in a family as with the Hope credit.

More detailed information is available at the following website: www.irs.ustreas.gov

**PLEASE BE AWARE THAT MONTCLAIR STATE UNIVERSITY CANNOT ACT IN THE CAPACITY OF TAX ADVISORS. WE STRONGLY URGE YOU TO CONSULT WITH YOUR TAX ADVISOR FOR ADDITIONAL INFORMATION AND INSTRUCTIONS.**