

## The IRS Has Become More Liberal With College Expenses

### Article Highlights:

- Computers
- Internet Access
- Qualified State Tuition (Sec. 529) Plans
- American Opportunity Tax Credit
- Required for Enrollment or Attendance

Computers and the Internet have become integral parts of education by providing access to online courses, learning and research. It is virtually impossible to be enrolled in postsecondary education without a computer, which is needed to complete written assignments, type reports, prepare theses and access the Internet.

Recent tax regulations have acknowledged the fact that computers, peripheral equipment, certain types of nonentertainment software, Internet access and related services are essential for postsecondary education. Thus, when those items are used primarily by a beneficiary of a qualified state tuition (Sec 529) plan, the cost of the items can be reimbursed from the plan's funds, tax-free.

In addition, the regulations for the American Opportunity Tax Credit (AOTC) have been modified (effective in 2016) to clarify that the AOTC's definition of qualified tuition and related expenses includes books, supplies and any other equipment that is required for enrollment or attendance at an eligible institution. For this purpose, the materials must be needed for "meaningful attendance or enrollment" in a course of study; they can be purchased from the institution or an outside vendor.

Computers are not specifically listed in the new AOTC regulations, but the wording certainly implies that a computer qualifies as long as it is required for meaningful attendance. This change is so new that there is no precedent for how the IRS will apply the regulations to computers, as the regulations do not specifically include them. To be on the safe side, each student seeking the credit should get an instructor to write a letter (on school letterhead) stating, "A computer is required for meaningful attendance."

For more information regarding which education expenses qualify for Sec 529 plan reimbursements or for the AOTC, please give this office a call.