

American Opportunity Credit Denied When Paid in Prior Year

Mr. McCarville attended Arizona State University (ASU) in Tempe, graduating in May 2012. The tuition for the Spring 2012 semester (last semester of school) was \$4,895. He paid this tuition in December 2011 even though it was not required to be paid until January 2012. During the final semester he paid \$247 for textbook rental but incurred no other education-related expenses.

On his 2012 income tax return he claimed an American Opportunity Credit of \$2,500. ASU did not issue a Form 1098-T for 2012. IRS examined the return and denied the credit, except for \$247 related to the textbook rentals.

Mr. McCarville argued this “just seems kind of wrong” but this argument didn’t persuade Tax Court.

The Court acknowledged that this statutory requirement may seem harsh in a case such as this while a mere two-week delay in making the payment would have produced different results, but the Court was also required to follow the law. This case reiterates the requirement that the education credit is based on the tuition and fees PAID during the tax year for which the credit is claimed, not the amounts BILLED.

Lucas Matthew McCarville, TC Summary Opinion 2016-14. This case can be found by going to www.ustaxcourt.gov, clicking on Opinion Search, and entering McCarville in the “Case Name Keyword” box.

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