



1098-T Reporting Survey Results

About the Survey

In April 2004, NACUBO sent an electronic survey regarding 1098-T reporting to representatives at member institutions. The survey was sent to chief business or financial officers and bursars where available. The survey questionnaire consisted of 19 questions intended to collect information regarding the participants' experiences with the implementation of 1098-T financial reporting. Nearly 2,800 individuals received the survey and 526 completed it, for a response rate of approximately 19 percent.

Responses were recorded from all sectors of the higher education community: public and independent; large and small enrollments; all Carnegie Classifications; various tuition rates; and nearly every state.

About 1098-T Reporting

The 1098-T form is used to report information for qualified tuition and related expenses (QTRE) required under Section 6050S of the Internal Revenue Code. Calendar year 2003 was the first year that colleges and universities were required to implement full reporting of student financial information.

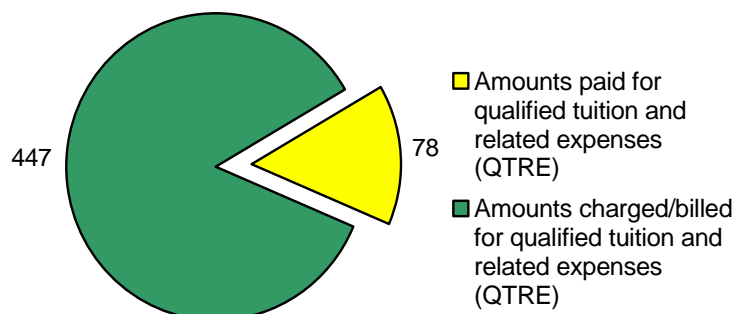
Survey Analysis

The results of the NACUBO 1098-T survey indicate that the first year of the IRS reporting requirements created challenges for responding institutions. In general, respondents reported additional administrative tasks related to the accumulation and verification of financial data, interpretation of rules, handling of technical issues, and ongoing communication with students and parents.

In total, survey respondents reported issuing 5.7 million 1098-T forms to students. Four large, public institutions distributed more than 100,000 forms to students. However, the average number was nearly 11,000, and half of respondents issued fewer than 4,500 1098-Ts. A vast majority of these forms were distributed using traditional methods – only 25 institutions reported sending the forms to students electronically. Of the respondents that issued 1098-Ts electronically, the percentage of students that requested this mode of delivery varied widely. However, among institutional representatives, there does seem to be an interest in this option.

Institutions have the discretion to choose the basis for reporting financial information on the 1098-T as a result of statutory changes enacted in 2002. Survey respondents overwhelmingly indicated using the amounts charged/billed for qualified tuition and related

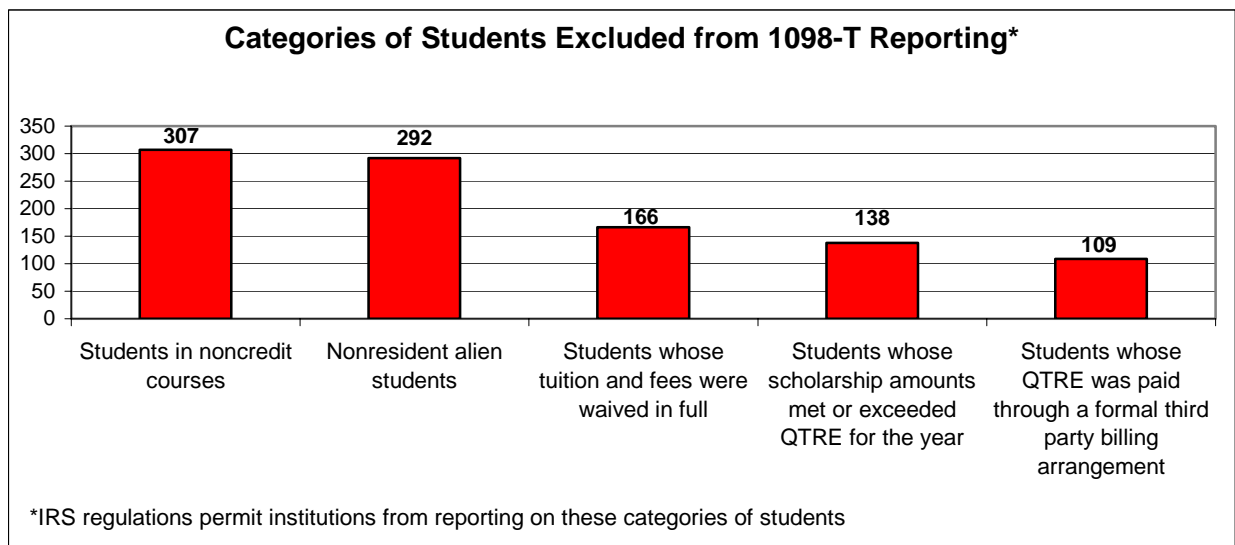
1098-T Reporting Method Used by Institutions



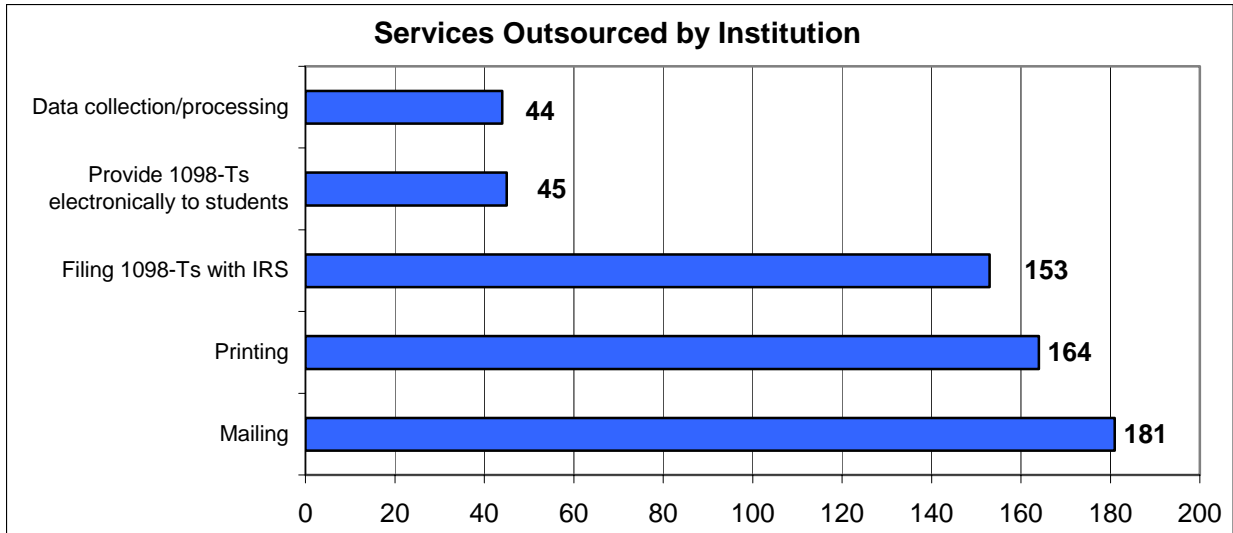
expenses (QTRE) (85 percent) in lieu of the amounts paid method (15 percent). Despite fewer public institution respondents, slightly more publics (45 institutions versus 33) used the amounts paid method than did independents. Furthermore, institutions classified as Associate’s Colleges were more likely to use the amounts paid method than institutions of any other Carnegie Classification.

In addition to Form 1098-T, exactly half of responding institutions elected to provide supplemental financial information to students. There were differences in this practice among institutions of different types. Associate’s Colleges were less likely than others to provide supplemental financial information, with only 36 percent of these institutions doing so. Similarly, 42 percent of institutions with enrollments less than 2,500 provided students with supplemental information.

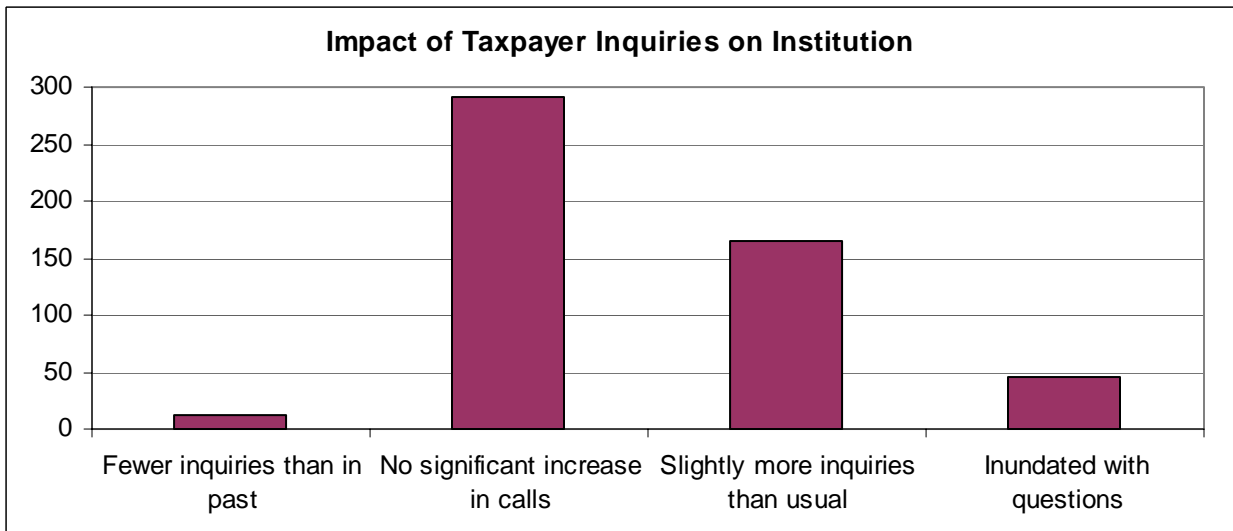
The IRS regulations allow, but do not require, colleges and universities to exclude several categories of students from 1098-T reporting. The two most common categories of students excluded were students in noncredit courses and nonresident alien students. Others excluded were students whose tuition and fees were waived in full, those whose QTRE was paid through a third-party billing arrangement, and students whose scholarship amounts met or exceeded QTRE.



In an effort to minimize the administrative burden of the 1098-T reporting requirements, nearly 40 percent of responding institutions outsourced services related to 1098-T reporting. Such services include data collection and processing, filing, printing, mailing, and distributing the tax forms to students electronically. Approximately two-thirds of the 326 institutions that did everything in-house used a commercial student data system with a module for 1098-T processing. In addition, the institutions that handled 1098-T processing in-house were more likely to be independent than public and have smaller enrollments (less than 10,000 students).



Colleges and universities responding to the NACUBO survey did not cite a drastic change in the amount of taxpayer inquiries in the first year of 1098-T reporting. Only 8 percent were inundated with questions this year, while 31 percent report slightly more inquiries than usual, and 55 percent noted no significant change in volume. Interestingly, 12 institutions reported fewer inquiries than in the past, only three of which provided supplemental information to students. Aside from this observation, there was not a distinguishable correlation between the volume of calls received and the provision of supplemental financial materials to students. Despite fewer public institutions responding to the survey, more of these institutions reported being inundated with questions from students and families than did independent institutions. This could be in part due to the generally large enrollment sizes of public institutions.



Anecdotally, survey participants reported other problems beyond those already mentioned. As with any new regulatory procedure in its first year, participants noted problems regarding the interpretation and understanding of the final rules, including how to report specific data such as refunds, prior year adjustments, and grant and scholarship money. In addition, survey

respondents described technical difficulties with the actual filing and transmission of data to the IRS.

NACUBO will share the concerns and questions brought forth through the survey effort with the IRS prior to next year's filing period.

For questions about the 1098-T survey, contact Anna Jackson, research associate, anna.jackson@nacubo.org. For questions related to 1098-T reporting, contact Mary Bachinger, director, tax policy, mary.bachinger@nacubo.org.

Appendix – Survey questions with responses

Question 1: Which 1098-T reporting method did your institution use for calendar year 2003 (information returns filed in early 2004)? (524 responses)

Amounts paid for qualified tuition and related expenses (QTRE): 78 responses

Amounts charged/billed for QTRE: 447 responses

Question 2: Approximately how many 1098-Ts did you issue for 2003? (526 responses)

Minimum: 10

Maximum: 221.500

Mean: 10,903

Median: 4,500

Question 3: Did you distribute any 1098-Ts to students electronically? (526 responses)

Yes: 25

No: 501

Question 4: Approximately what percentage of students receiving 1098-Ts consented to receiving the form electronically? (26 responses)

Answers varied widely. Some institutions noted an interest by students. Others mentioned that their vendor was responsible for distributing to students.

Question 5: In addition to the Form 1098-T, did your institution provide supplemental financial information to students? (526 responses)

Yes: 263

No: 263

Question 6: Did you exclude any of the following categories of students from 1098-T (please indicate all that apply)? (423 responses)

Nonresident alien students: 292

Students in noncredit courses: 307

Students whose QTRE was paid through a formal third party billing arrangement: 109

Students whose tuition and fees were waived in full: 166

Students whose scholarship amounts met or exceeded QTRE for the year: 138

Other: 35

- Answers included: students without valid Social Security numbers, students that are less than half-time, international/inter-collegiate/post-secondary students. Some institutions did not exclude any students.

Question 7: Did you include tuition waivers (partial tuition coverage or whole) in Box 4 of the Form 1098-T, Scholarships/Grant Aid? (522 responses)

Yes (skip to question #9): 369

No: 153

Question 8: If you did NOT report tuition waivers in Box 4, was it because: (152 responses)

The amounts met or exceeded the amount of the individuals' QTRE: 10

The amount of the waivers were netted out from amounts paid or bill: 84

The institution does not grant tuition waivers: 43

Other, please explain: 15

- Sample answers: Institution did not report, students' responsibility to report data, waivers were reported in a separate form, and institution reported all scholarships.

Question 9: How did your institution break out qualified tuition, fees, and related expenses for students in study abroad programs that are assessed a lump sum program fee? (512 responses)

Allocated appropriate portion of fee to amounts paid or billed for QTRE: 168

We don't operate a study abroad program: 261

Other, please explain:

Question 10: Does your institution utilize a commercial student data system that includes a module for 1098-T processing? (520 responses)

Yes: 311

No: 209

Question 11: Does your institution outsource any of the following services related to 1098-T reporting (please indicate all that apply)? (518 responses)

Data collection/processing: 53

Filing 1098-Ts with IRS: 153

Printing: 164

Mailing: 184

Electronically providing 1098-Ts to students: 45

Now, we do everything in-house: 326

Other, please specify: 11

Question 12: If your institution does engage the services of an outside provider, which company or companies do you work with? (186 responses)

Institutions submitted names, including:

- 1099 Pro (9)
- ACS (39)
- ACS/TCRS (12)
- ECSI (9)
- Jenzabar (4)
- Miami Systems (4)
- Moore Business (11)
- NCS Pearson (41)
- TCRS (12)

Question 13: How was the 2003 1098-T impact on your institution in terms of fielding inquiries from taxpayers (students and families trying to understand how to use the information)? (526 responses)

We received some calls as we do each year, but no significant increase in volume of inquiries: 291

Slightly more inquiries than usual: 165

We were inundated with questions this year: 46

Other:

- Fewer calls than previous years (12)
- Significant increase (4)

Question 14: What was the most challenging aspect of 1098-T reporting for 2003? (443 responses)

Answers varied widely. In an effort to find common themes, answers were generalized somewhat. Examples of responses include: consolidating data from multiple systems, data gathering and accuracy checks, defining appropriate data to submit, determining which students to exclude, educating students/parents on meaning and relevance of 1098-T forms, explaining what was submitted, filing the data, interpretation/understanding of IRS rules, software issues, keeping up with changes in legislation, printing/ mailing forms, determining refunds and prior year adjustments, related expenses, reporting scholarships/grants correctly, set up of internal software to report appropriate data, student contact information, time required to submit, issues with database provider, timing of tuition payments, and volume of taxpayer inquiries.

Question 15: Please share questions about reporting requirements that you would like IRS to answer before next year. (145 responses)

Responses were similar to the answers provided for question 14. Respondents are generally looking for additional clarification from the IRS and help with specific sections of the form.

Question 16: My institution is: (526 responses)

Independent: 299
Public: 227

Question 17: My institution's Carnegie Classification is: (526 responses)

Associate's Colleges: 107
Baccalaureate Colleges: 175
Doctoral/Research Universities – Extensive: 54
Doctoral/Research Universities – Intensive: 32
Master's Colleges and Universities: 126
Other: 4
Specialized: 28

Question 18: My institution's approximate total student enrollment (FTE) for academic year 2003-04 is: (526 institutions)

<2,500: 213
2,500 – 9,999: 185
10,000 – 19,999: 74
>20,000: 54

Question 19: My institution is located in: (526 responses)

Institutions in 49 states recorded responses.