

Beginning, Small, Young Farmer Case Study: Going Home to Begin a Farm Business

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2011 IRS Form 8863, Education Credits

Mary completed the top line of IRS Form 8863 with her name and social security number. She is entitled to claim an education credit because she was a full-time student for the spring semester at the community college and her parents could not claim her as a dependent.

Part I American Opportunity Credit

Lines 1a&b: Mary entered her name and social security number

Line 1c: Mary entered the \$2,000 she paid for tuition (\$1,500) and educational material (\$500) and carried that amount to lines 1f and 2.

Part III Refundable American Opportunity Credit

Line 7: Mary entered the \$2,000 from line 2 on page one.

Line 8: Mary entered \$90,000 because she is a single taxpayer.

Line 9: Mary entered her \$17,457 from line 38 of her IRS Form 1040.

Line 10: Mary subtracted \$17,457 from \$90,000 and entered the \$72,543 result.

Line 11: Mary entered \$10,000 because she is a single taxpayer.

Line 12: Mary entered 1.000 because the \$72,543 entered on line 10 is greater than the \$10,000 entered on line 11.



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Line 13: Mary multiplied the \$2,000 on line 7 by the 1.000 on line 12 and entered the \$2,000 result.

Line 14: Mary multiplied the \$2,000 on line 13 by 40% and entered the \$800 result here and on line 66 of IRS Form 1040 as discussed earlier.

Part IV Nonrefundable Education Credits

Line 15: Mary subtracted the \$800 on line 14 from the \$2,000 on line 13 and entered the \$1,200 result.

Line 23: Mary's nonrefundable credit is limited to her \$798 tax liability on line 54 of Form 1040. The remaining \$402 (\$1,200 - \$798) cannot be carried forward to a future year and is therefore lost.