

## **SECTION 1.25A-2 DEFINITIONS.**

**(d) Qualified tuition and related expenses -- (1) IN GENERAL.** QUALIFIED TUITION AND RELATED EXPENSES means tuition and fees required for the enrollment or attendance of a student for courses of instruction at an eligible educational institution.

**(2) REQUIRED FEES -- (i) IN GENERAL.** Except as provided in paragraph (d)(3) of this section, the test for determining whether any fee is a qualified tuition and related expense is whether the fee is required to be paid to the eligible educational institution as a condition of the student's enrollment or attendance at the institution.

**(ii) BOOKS, SUPPLIES, AND EQUIPMENT.** Qualified tuition and related expenses include fees for books, supplies, and equipment used in a course of study only if the fee must be paid to the eligible educational institution for the enrollment or attendance of the student at the institution.

**(iii) NONACADEMIC FEES.** Except as provided in paragraph (d)(3) of this section, qualified tuition and related expenses include fees charged by an eligible educational institution that are not used directly for, or allocated to, an academic course of instruction only if the fee must be paid to the eligible educational institution for the enrollment or attendance of the student at the institution.

**(3) PERSONAL EXPENSES.** Qualified tuition and related expenses do not include the costs of room and board, insurance, medical expenses, transportation, and similar personal, living, or family expenses, regardless of whether the fee must be paid to the eligible educational institution for the enrollment or attendance of the student at the institution.

**(4) TREATMENT OF COMPREHENSIVE FEES.** If a student is required to pay a comprehensive fee to an eligible educational institution that includes charges for tuition, fees, and personal expenses described in paragraph (d)(3) of this section, the portion of the comprehensive fee that is allocable to personal expenses is not a qualified tuition and related expense. The allocation must be made by the institution using a reasonable method.

**(5) HOBBY COURSES.** Qualified tuition and related expenses do not include expenses that relate to any course of instruction or other education that involves sports, games, or hobbies, or any noncredit course, unless the course or other education is part of the student's degree program or, in the case of the Lifetime Learning Credit, is taken by the student to acquire or improve job skills.

**(6) EXAMPLES.** The following examples illustrate the rules of this paragraph (d). In each example, assume that all other relevant requirements to claim an education credit are met. The examples are as follows:

**Example 1.** University V offers a degree program in dentistry. In addition to tuition, all students enrolled in the program are required to pay a fee to University V for the rental of dental equipment. Because the equipment rental fee must be paid to University V for enrollment and attendance, the tuition and the equipment rental fee are qualified tuition and related expenses.

**Example 2.** First-year students at College W are required to obtain books and other reading materials used in its mandatory first-year curriculum. The books and other reading materials are not required to be purchased from College W and may be borrowed from other students or purchased from off-campus bookstores, as well as from College W's bookstore. College W bills students for any books and materials purchased from College W's bookstore. The fee that College W charges for the first-year books and materials

purchased at its bookstore is not a qualified tuition and related expense because the books and materials are not required to be purchased from College W for enrollment or attendance at the institution.

**Example 3.** All students who attend College X are required to pay a separate student activity fee in addition to their tuition. The student activity fee is used solely to fund on-campus organizations and activities run by students, such as the student newspaper and the student government (no portion of the fee covers personal expenses). Although labeled as a student activity fee, the fee is required for enrollment or attendance at College X. Therefore, the fee is a qualified tuition and related expense.

**Example 4.** The facts are the same as in Example 3, except that College X offers an optional athletic fee that students may pay to receive discounted tickets to sports events. The athletic fee is not required for enrollment or attendance at College X. Therefore, the fee is not a qualified tuition and related expense.

**Example 5.** College Y requires all students to live on campus. It charges a single comprehensive fee to cover tuition, required fees not allocable to personal expenses, and room and board. Based on College Y's reasonable allocation, sixty percent of the comprehensive fee is allocable to tuition and other required fees not allocable to personal expenses, and the remaining forty percent of the comprehensive fee is allocable to charges for room and board. Therefore, only sixty percent of College Y's comprehensive fee is a qualified tuition and related expense.

**Example 6.** As a degree student at College Z, Student A is required to take a certain number of courses outside of her chosen major in Economics. To fulfill this requirement, Student A enrolls in a square dancing class offered by the Physical Education Department. Because Student A receives credit toward her degree program for the square dancing class, the tuition for the square dancing class is included in qualified tuition and related expenses.