

FTD COMPLIANCE CARD — Education Credit Calculator

Fbaum Enterprises LLC d/b/a The Federal Tax Desk | Version 1.0 | Issued 2026-09-27 | Last verified 2026-09-27

HOW TO USE THIS CARD IN YOUR FIRM'S TOOL REVIEW

Circular 230 §10.36 requires the practitioners with principal authority and responsibility for overseeing a firm's tax practice to take reasonable steps to ensure that the firm has adequate procedures for complying with Circular 230, and that the firm follows them. OPR Alert 2026-19 (June 24, 2026) says firms must put policies and procedures in place for their use of AI, says outsourced or third-party AI tools should be vetted, and calls for documenting all steps and processes to show adherence to §10.36. This tool is deterministic, not a generative AI tool (Element 6 describes how it works). The Alert says no single definition covers every form of AI, and that at a basic level AI can be defined as the use of machines in a way that mimics human cognitive skills, including judgment, perception, and prioritization. Your firm can review this tool under the same AI policies and procedures. To record that review on this card:

1. Print or save this PDF.
2. Add this card to your firm's list of third-party tools, such as its technology inventory or the third-party provider list in its written information security plan (WISP).
3. Before first use with any client matter, verify that the rules and figures in Element 3 match current IRS.gov content by following the verification steps in that element.
4. Fill in the Firm Adoption Record at the end of this card: the reviewer's name and credentials, the firm name, the date of your review, the date you did the step 3 check, and your initials. Tick its box once you finish step 2.
5. Keep the completed card with your firm's procedures. It records your firm's review of this tool. It does not by itself meet §10.36 or any other Circular 230 requirement. §10.36 looks at whether the firm's responsible practitioners took reasonable steps to make sure the firm has adequate procedures and follows them. It also looks at whether, once they knew or should have known that people in the firm had a pattern or practice of not complying, they acted promptly to correct it.

ELEMENT 1 — TOOL IDENTIFICATION

Tool name / version

Education Credit Calculator, version 1.0

FTD issue date

2026-09-27

Most recent update

2026-09-27

Last verified against source

2026-09-27

Governing authority

IRC §25A (for 2026, as amended by Pub. L. 119-21 §70606); IRC §1(g)(2); IRC §24(h)(7)(B); Treas. Reg. §1.25A-1(f)-(h), §1.25A-5(a)-(c)

IRS guidance relied on

Form 8863 (2025) and its instructions; Publication 970 (2025), chapters 2 and 3; the IRS early-release drafts of Form 8863 (2026) and its instructions

Figures source

The statute fixes every figure, the same for 2025 and 2026: \$2,000 at 100% plus the next \$2,000 at 25%; 20% of up to \$10,000; phase-out \$80,000 to \$90,000 (\$160,000 to \$180,000 joint); 40% refundable. §25A has had no inflation adjustment since Pub. L. 116-260 struck §25A(h). FTD read these sources on 2026-09-27.

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tools.federaltaxdesk.com/education-credit-calculator/

Note: Pub. L. 119-21 §70606 rewrote §25A(g)(1) for taxable years beginning after December 31, 2025. For 2025 the tool applies the earlier identification rule (a TIN for the student, and for the American opportunity credit a TIN issued by the due date for the filer and the student). For 2026 it applies the new rule: the filer and a dependent student need a Social Security number valid for employment, issued before the return's due date (§24(h)(7)(B)). As of 2026-09-27 the IRS had published only drafts of the 2026 Form 8863 and instructions, and no 2026 Publication 970.

ELEMENT 2 — WHAT THIS TOOL DOES

The Education Credit Calculator decides, for one student and tax year 2025 or 2026, whether the user can claim the American opportunity credit, the lifetime learning credit, or neither; which one gives more; the amount after the §25A(d) phase-out; the refundable part under §25A(i), including the §1(g)(2) rule that denies it to certain filers under 24; and whether the user, the student, or the person who claims the student as a dependent takes the credit (§25A(g)(3); Treas. Reg. §1.25A-1(f), §1.25A-5(a)-(b)). It follows Form 8863 line by line.

Inputs

Tax year; filing status; whether someone else claims the user as a dependent; nonresident alien status; AGI and excluded foreign or possessions income; the user's and spouse's identifying number type; who the student is and, for a dependent, the student's identifying number type; school eligibility; Form 1098-T; earlier American opportunity years; completion of the first four years; half-time enrollment in a degree program; a felony drug conviction; whether the courses serve a degree or job skills; tuition and required fees, other course materials, tax-free assistance, and refunds; and, unless filing jointly, the user's age, full-time student status, earned income against half of support, and whether a parent is alive. No taxpayer-identifying information.

Output

Which credit to claim and why, each credit's amount before and after the phase-out, the refundable and nonrefundable parts, who claims the credit, every test with its citation, the Form 8863 lines, notes where the statute and the IRS instructions differ, a list of what the tool does not model, and a plain-text version of the result.

What this tool IS

This tool produces an education-credit eligibility and amount reference for one student. Every result shows each test and each line with its citation.

What this tool IS NOT

This tool does not produce tax advice, legal advice, or written advice subject to Circular 230 §10.37. It does not decide whether the student is a dependent, allocate scholarships between qualified and other expenses, apply the limit based on tax, or combine several students. The practitioner retains full professional responsibility for all conclusions presented to clients.

ELEMENT 3 — ACCURACY AND VERIFICATION

Primary sources

IRC §25A with its amendment notes, §1(g) and §24(h)(7) (uscode.house.gov, laws in effect September 26, 2026); the pre-2026 text of §25A(g)(1) (2023 edition of the Code, govinfo.gov); Pub. L. 119-21 §70606 (enrolled text, govinfo.gov); Treas. Reg. §1.25A-1 and §1.25A-5 (eCFR). IRS guidance: Form 8863 (2025) and Instructions for Form 8863 (2025); Publication 970 (2025), chapters 2 and 3; the IRS drafts of Form 8863 (2026) (created 4/28/26) and Instructions for Form 8863 (2026) (September 11, 2026). FTD read all of them on 2026-09-27.

Test fixtures

Publication 970 (2025) chapter 2: Jack and Kay, the joint-return phase-out example, Bill Examples 1-3, Jane Example 5 (before the tax limit), Sharon and Wilbert, and the recapture example; chapter 3: Judy Examples 1-2, Bruce and Toni, the phase-out example, and the recapture example; Instructions for Form 8863 (2025) Examples 1-2 and the lifetime learning recapture example (the recapture examples check the original and refigured credit amounts only; the tool does not compute the recapture itself). Also the bottom, middle, and top of each phase-out range, a married-filing-separately return, a fifth American opportunity year, a less-than-half-time student, an under-24 filer with no refundable part, a scholarship that covers every expense, and a guard that fails if a 2025 source or rule appears on a 2026 result.

How to verify the result

1. Open Publication 970 at irs.gov/publications/p970 and read chapters 2 and 3, and the Instructions for Form 8863 at irs.gov/instructions/i8863.
2. Re-run Publication 970's Jack and Kay example, its joint-return phase-out example (\$165,000, \$5,000 of expenses, \$1,875), and chapter 3's phase-out example (\$161,000, \$6,600, \$1,254) in the tool and compare the results.
3. For 2026, compare the identification tests to IRC §25A(g)(1) at uscode.house.gov and to the current Instructions for Form 8863 (2026), Identification requirement; replace the draft with the final version once the IRS publishes it.

Known limitations — KNOWN FAILURE MODES

- The tool shows the nonrefundable part before the Form 8863 Credit Limit Worksheet, which can lower it to the user's tax after certain other credits.

- The tool checks one student at a time. The lifetime learning credit's \$10,000 cap applies per return, to all students together, so a user with several students must add their expenses.
- The tool does not decide whether the student is the user's dependent; it takes the user's answer and links to the Dependent Eligibility Calculator.
- The tool does not choose how much of a scholarship to treat as income. That choice can raise the credit; the tool names it as a question for a practitioner.
- The tool relies on the user's answers about academic periods, half-time status, Form 1098-T exceptions, and the four-year count. It does not model recapture, refunds or assistance received after filing, or coordination with 529 plans, Coverdell accounts, or deductions for the same expenses.
- The tool does not ask whether the school's EIN appears on Form 8863, which the American opportunity credit requires.
- The tool does not apply the §25A(b)(4) disallowance periods or the Form 8862 requirement after an earlier denial.
- Refundable part, earned income exactly half of support: §1(g)(2)(A)(ii)(II) says "does not exceed" one-half; Form 8863 line 7 instructions and Publication 970 say "less than one-half". The tool follows the statute, denies the refundable part at exactly half, and shows a note on the result.
- 2026 joint returns: §25A(g)(1)(A)(i) as amended does not say whether one spouse's Social Security number is enough on a joint return. The tool follows the IRS draft 2026 instructions, which say one is enough even when the other spouse is the student, and shows a note on the result. The draft may change before the IRS finalizes it.
- 2025 lifetime learning credit: the pre-2026 statute requires the student's TIN on the return but sets no due-date condition for this credit; the 2025 instructions' Table 1 says the student needs a TIN issued by the due date. The tool asks about a number issued by the due date, so both readings give the same answer for every choice it offers. The one exception is a 2025 ITIN or ATIN applied for by the due date and issued later: Publication 970 treats it as issued on time only in its American opportunity chapter; the tool follows the statute and allows the lifetime learning credit.
- Filing status: the tool follows Form 8863 and Publication 970, which bar only married filing separately and allow head of household. §25A(g)(6) bars a married individual "within the meaning of section 7703" unless filing jointly; the tool does not separately test whether a married person who files as head of household under §7703(b) meets that rule.
- The 2026 rules rest on the statute and IRS drafts; the IRS had not finalized the 2026 Form 8863 instructions or published a 2026 Publication 970 by the verification date.

ELEMENT 4 — DATA HANDLING

This tool does not ask for names, Social Security numbers, or addresses: it asks yes-or-no questions, the type of identifying number, ages, and amounts. Do not enter taxpayer-identifying information.

Short version: FTD's code keeps your entries in your browser. The email form sends your result, which can include your entries, out of your browser. A program from another company that runs on the page can also read what the page shows (see Analytics and other scripts).

In your browser: this tool runs in your web browser. FTD's servers do not receive the answers and amounts you enter, and FTD does not log or store what you enter.

Section 7216: a federal law, IRC §7216, limits what tax return preparers can do with the information people give them. FTD is not a tax return preparer under that law (Treas. Reg. §301.7216-1(b)(2)). FTD's tools estimate, check, and analyze; they do not prepare or file income tax returns. FTD does not offer to prepare returns, or to help anyone prepare or file them. That law therefore does not govern how FTD handles what you enter in its tools.

Analytics and other scripts: FTD's pages send usage events to two analytics services, Plausible and Google Analytics. The events record the page address and what you do on the page: that the tool opened, that a calculation ran, and actions such as copying or emailing a result. None of these events carries an amount, date, name, or text you enter. Google Analytics also runs its own standard page measurement, which FTD controls in Google's dashboard, not in its page code. The pages also load Grow by Mediavine, a program from another company that adds reader features to the page. FTD's code sends it nothing you enter, but it runs inside the page, so it can read the page and its address, and FTD's code cannot limit what it reads.

If you email a result: the "Email me this result" form sends three things to the program on FTD's web host that sends FTD's email: the email address you type, the tool's name, and the result text. The result text is a plain-text copy of the result, which can include what you entered. Before sending, the program turns any web address in the result that points outside [federaltaxdesk.com](https://www.federaltaxdesk.com) and the government sites FTD's tools cite ([irs.gov](https://www.irs.gov), [ssa.gov](https://www.ssa.gov), and [bls.gov](https://www.bls.gov)) into plain text that can't be clicked. The program then passes all three to Resend, the company that

delivers FTD's email. FTD's code does not log or save the result text. To limit how many emails go out, the program saves send counts in storage run by FTD's web host, Netlify: one count for the email address, one for your IP address (the number that identifies your internet connection), and one total for the whole site. It files the email-address and IP-address counts under a scrambled code made from each address with a secret key, never the address itself, and FTD's code deletes the counts within two days. Resend's own terms, not FTD's code, govern what Resend keeps.

ELEMENT 5 — CIRCULAR 230 COMPLIANCE STATEMENT

FTD built this tool for tax practitioners subject to Circular 230, and individual taxpayers can use it for their own returns. Use of this tool does not satisfy the practitioner's obligation to exercise due diligence under Circular 230 §10.22, or the requirement of Circular 230 §10.35 that a practitioner possess the necessary competence to engage in practice before the Internal Revenue Service. The practitioner must independently verify tool outputs before relying on them in client matters or submissions to the IRS. OPR Alert 2026-19 (June 24, 2026), which addresses AI tools, says that technology is not a substitute for professional judgment and that final decisions must rest with qualified professionals. This tool is not a generative AI tool, but the same rule applies to it: the practitioner makes the final decision. A taxpayer who uses this tool for their own return makes their own final decision and should check the result against the law and IRS sources the result cites before relying on it.

ELEMENT 6 — TOOL CLASSIFICATION

TOOL CLASSIFICATION: This tool is a deterministic rules engine, not a generative AI tool. Given the same answers and tax year, it always returns the same result. It does not generate, infer, or predict outputs. The practitioner retains full obligation to exercise appropriate judgment and verify outputs before relying on them in client matters.

ELEMENT 7 — UPDATE AND CORRECTION LOG

Table A — Version History

Date	Version	Change Description	Trigger
2026-09-27	v1.0	Initial card for the Education Credit Calculator. The card's shared text, including data handling and the §7216 statement, comes from the same shared sources FTD uses for every card. Known limitations disclose each place the statute and the IRS instructions differ, and each gap the tool leaves open.	New tool (Consumer ITA Wave 1, topic 7)

Table B — Correction Log

Date	Error Class	Description	Authority	What it affected
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(no entries)

Note: FTD has issued no corrections since it released this card on 2026-09-27.

FIRM ADOPTION RECORD

Practitioner who reviewed and adopted this tool (name and credentials):

Firm name:

Date of initial review:

Education credit rules verified against IRS.gov on:

Initials:

[] The firm added this card to its list of third-party tools.