

Tax Compliance



Scholarships & Fellowships

- **IRS Definitions:**
 - “A scholarship is generally an amount paid or allowed to, or for the benefit of, a student (whether an undergraduate or a graduate) at an educational institution to aid in the pursuit of his or her studies.”
 - “A fellowship grant is generally an amount paid for the benefit of an individual to aid in the pursuit of study or research.”

****No Services associated as a consideration****



Scholarships & Fellowships

- **Federal Tax Implications**
 - **U.S. Citizens, Permanent Residents, and Resident Aliens**
 - “Qualified” portion not taxable or reportable
 - No tax withholdings
 - Reported on form 1098-T
 - Must be reported to Student Financial Aid



Scholarships & Fellowships

- **Federal Tax Implications - continued**
 - **Non-Resident Aliens**
 - “Qualified” portion not taxable or reportable
 - Tax withholding may apply to “non-qualified” amounts
 - Reported on form 1042-S
 - Must be reported to Student Financial Aid



Prizes & Awards

- **Definition:**
 - **An amount received in recognition of charitable, scientific, educational, artistic, literary, or civic achievement, or is received as the result of entering a contest**
- **Categorized as “Other Income” by the IRS**
- **Must be reported to Student Financial Aid**



Prizes & Awards

- **Federal Tax Implications**
 - **U.S. Citizens, Permanent Residents, and Resident Aliens**
 - Reporting on form 1099 is required if payment is greater than \$600
 - **Non-Resident Aliens**
 - 30% withholding tax
 - Reported on form 1042-S (no de Minimis)
 - All prizes/award payments to employees will be reported and taxed on a W-2



Scholarships/Fellowships vs. Prizes/Awards

- Some prizes/awards could have the characteristics of scholarships/fellowships
- Withholding agent must determine which income category best describes the grantor's intent



Scholarships/Fellowships vs. Prizes/Awards

- **Prizes/Awards in the nature of a Scholarship/Fellowship**
 - **Grantor specifically intends for prize/award to be used to defray the expenses of study, training, or research**



Scholarships/Fellowships vs. Prizes/Awards

- Prizes/Awards not in the nature of a Scholarship/Fellowship (considered other income)
 - An award or recognition for an achievement, skill, or an award won in a contest
 - Grantor does not specify that money be spent to defray the expenses or study, training, or research, and can be spent how the recipient wishes

