

TAXATION OF SCHOLARSHIPS, FELLOWSHIPS, AND STIPENDS

Student Non-Employee Amounts

What is a Scholarship/Fellowship?

A Scholarship/Fellowship is any amount paid or allowed to, or for the benefit of, a student at an educational institution or individual to directly aid in the pursuit of study or research. A Scholarship/Fellowship may take the form of:

1. payment(s) to the recipient, such as Stipend payments
2. reimbursement or payment of expenses, such as travel expenses, to or on behalf of an individual
3. a credit against an existing term bill or reduction in the amount owed by the recipient to an educational organization in connection with the pursuit of study or research

Is a Scholarship/Fellowship taxable income in the US?

Scholarship/Fellowship amounts are not taxable where:

- The recipient is an individual who is a candidate for a degree at an educational organization (i.e. undergraduate and graduate students, but not post docs); **and**
- The scholarship/fellowship amount is used for qualified tuition and related expenses. Qualified tuition and related expenses include tuition and fees (books, supplies, equipment) required for the enrollment or attendance of ALL students at an educational institution. Qualified amounts are typically applied in Financial Aid.

A Scholarship/Fellowship that is not taxable is Qualified.

Scholarship/Fellowship amounts are taxable where:

- Amounts are used for room, board, travel, clerical help, equipment, incidental living expenses and other expenses not required for enrollment in or attendance at Wesleyan University;
- Amounts are given to non-degree candidates, such as post docs; **or**
- The scholarship/fellowship is conditioned upon either past, present, or future services by the recipient, or upon services that are primarily for the benefit of the University.

A Scholarship/Fellowship that is taxable is Non-Qualified.

Is my Non-Qualified Scholarship/Fellowship amount subject to income tax withholding?

US Citizen, Permanent Resident, Resident for Tax Purposes

The University is not required to withhold from your non-employee fellowship payment.

Non-Resident Alien (NRA) for Tax Purposes

Students in F, J, M or Q immigration status are generally considered non-resident aliens (NRAs) for tax purposes during their first five (5) calendar years of presence

inside the United States. Wesleyan is required to withhold from your US-source fellowship. Generally, payments made to foreign persons are subject to 30% withholding (called 'NRA' withholding) unless an exception applies. There is a lower 14% rate for certain scholarship/fellowship grants paid to or on behalf of candidates for a degree at an educational institution who are in F, J, M or Q immigration status. Each student payment is reviewed and is assessed a withholding rate according to the details of the payment.

Can I use a tax treaty benefit on my Non-Qualified Scholarship/Fellowship amount if I am a Non-Resident Alien for tax purposes?

Tax treaty exclusions are not applied to Non-Qualified Scholarship/Fellowship payments at the time of disbursement; however, if you were the resident of a country with a tax treaty exemption on taxable fellowship, you may take advantage of your tax treaty benefit when you file your required annual 1040NR personal income tax return with the IRS.

Will I receive a tax reporting form from Wesleyan showing my Non-Qualified Scholarship/Fellowship amounts received?

US Citizen, Permanent Resident, Resident for Tax Purposes

No. The University is not required to report Non-Qualified Scholarship/Fellowship amounts to US persons. Therefore, it is very important for you to keep your own records or seek a summary from your department in order to have the information necessary to prepare your personal income tax return.

Non-Resident Alien (NRA) for Tax Purposes

Yes. You will receive a Form 1042-S showing Non-Qualified Scholarship/Fellowship amounts and the corresponding income tax withheld for each calendar year in March immediately following the relevant calendar year. Students are responsible for reporting these payments and remitting any tax due with their personal income tax return on form 1040NR and any applicable state forms.

Are there resources that can help me prepare my personal income tax return showing my Non-Qualified Scholarship/Fellowship income?

In preparing your personal income tax return, please consult with your own tax advisor or resource. Wesleyan is not authorized to provide individual tax advice. You may find it helpful to read the resources and publications relevant to your personal situation:

All

Federal

Internal Revenue Service (IRS)

<https://www.irs.gov/>

State

State of Connecticut Department of Revenue Services Website

<https://portal.ct.gov/DRS/Individuals/Individuals>

US Citizen, Permanent Resident, Resident for Tax Purposes

IRS Publication 970, Tax Benefits for Education

<https://www.irs.gov/pub/irs-pdf/p970.pdf>

Received Non-Qualified Fellowship amounts for studying, teaching, or researching inside the United States

IRS Publication 54, Tax Guide for US Citizens and Resident Aliens Abroad

<https://www.irs.gov/pub/irs-pdf/p54.pdf>

Received Non-Qualified Fellowship amounts for studying, teaching, or researching outside of the United States

Volunteer Income Tax Assistance (VITA)

Offers free tax help to people who generally make \$54,000 or less annually

<https://www.benefits.gov/benefit/1543>

Find a VITA site near you

<https://irs.treasury.gov/freetaxprep/>

Non-Resident Alien (NRA) for Tax Purposes

IRS Publication 519, US Tax Guide for Aliens

<https://www.irs.gov/pub/irs-pdf/p519.pdf>

Received Non-Qualified Fellowship amounts for studying, teaching, or researching inside the United States

Sprintax Tax Preparation

Provides NRA students with the resource to prepare their required 1040NR annual personal income tax return

https://www.wesleyan.edu/finance/foreignpayments/Stud_Taxes_Sprintax%20Software.html

Additional information regarding the taxation of Non-Resident Aliens can be found on the University's International Compensation and Taxation website

<https://www.wesleyan.edu/finance/foreignpayments/Taxes%20and%20Social%20Security.html>

This document is for informational purposes only and should not be considered tax, financial, or legal advice. Please consult with your own tax, financial advisor, or non-resident alien resource with any questions.