

## SCHOLARSHIP & FELLOWSHIP

A scholarship is a payment made to, or for, the benefit of a student, either graduate or undergraduate, to aid the individual in their course of study.

U.S. tax laws divide scholarships (including fellowships, stipends, and grants) to degree candidates into two parts. The amount received as a scholarship or fellowship that is used, under the terms of the grant, to pay for tuition and fees required for enrollment, or for fees, books, supplies, and equipment required for courses, is not taxable. Any additional amount of the scholarship, such as a stipend for room and board or for travel expenses, will be taxable income. If any portion of a student's funding represents payment for teaching, research, or other services, that portion will be taxable.

### Qualified Scholarship

A qualified scholarship is an amount received as a scholarship grant that covers tuition, fees (health insurance), books, supplies and equipment required for instruction at the educational institution. Reporting is not required on a 1042-S. Income Code 15, Exemption Code 2 (1042-S).

### Nonqualified Scholarship

A nonqualified scholarship is an amount issued for any other purpose, including travel, room, board, research, etc. This amount is subject to 14% or 30% federal tax withholding, depending on visa status. A tax treaty may apply, which would allow this scholarship type to be exempt from taxes.

### Treaty Exempt Scholarship

Reporting is required on a 1042 and 1042-S form. Use income code 15, exemption code 4 (1042-S).

### Scholarship with a Service Requirement

Stipends, tuition waivers, or financial aid that require performance of services in exchange for the financial aid are taxable as wages, reportable to IRS, and subject to the withholding rules. The grant is considered compensation and not a scholarship if services are required in kind.

### Fellowship

A fellowship is a payment made to, or for, the benefit of an individual to aid in the pursuit of study or research and may consist of wages or a non-compensatory fellowship (wages if services are required as a condition of the grant; non-compensatory if no services are required as a condition of receiving the grant).

### Travel Grants Regulations (PDF)

Travel grants, reimbursements, and/or payments made in regards to a scholarship or fellowship are not covered under the IRS accountability rule and are, therefore, taxable to the recipient. All travel reimbursement receipts must be submitted with a check request form.

#### With a Service Requirement

- Travel grant is non-taxable and excludable from reporting.
- The IRS has ruled that this type of travel grant may follow the same accountability guidelines as reimbursements for U.S. citizens or resident aliens.
- Examples
  - Research collaboration between two schools.
  - Attending a conference to present a paper.

#### With a Service Requirement

- Travel grant is taxable and reportable.
- The accountable plan rule does not apply.
- The withholding on travel grants is either 14% or 30%, depending on visa type and recipient's student status.
- Examples
  - Attending a conference for one's own educational purpose.
  - Working on one's own course of study (i.e. dissertation or research paper)