



DATE: September 1, 2009

TO: Scholarship & Fellowship Recipients

FROM: University Controller

SUBJECT: Tax Implications for Scholarship & Fellowship Recipients

All scholarship & fellowship award recipients are responsible for compliance with United States tax laws. Generally, the value of a tuition waiver is considered a scholarship under U.S. tax law. Each award recipient is responsible for determining how the tax law applies to his or her particular situation. This memorandum provides general information related to the taxability of scholarships & fellowship awards. Additional information is available on the Internal Revenue Service (IRS) web site. The following IRS Publications may be helpful and are available on the IRS web site; taxpayers may also contact the IRS and request a mailed copy of a Publication:

Publication 513 Tax Information for Visitors to the U.S.
Publication 519 U.S. Tax Guide for Aliens
Publication 901 U.S. Tax Treaties
Publication 970 Tax Benefits for Education

Qualified Tuition as defined by U.S. tax laws

- If you are the recipient of a scholarship or fellowship award, and you are not required to perform any services, the portion of the award that is used for qualified tuition and related expenses (tuition and fees, books, supplies and other equipment required for courses) is tax exempt. However, portions of the award used for other expenses, such as room and board, are considered part of your gross income and must be reported on your income tax return.
- If the terms of your scholarship or grant award require a certain amount must be used for room, board, or anything other than qualified tuition, fees, books, supplies or equipment required for courses, that amount is considered part of your gross income and must be reported on your federal and state (if applicable) income tax return(s).
- In order to claim all or part of your scholarship or fellowship award was used for qualified tuition and related expenses, you will need to maintain accurate records to document such expenses in the event of an IRS audit.

Withholding required by U.S. tax laws

- If you are a U.S. citizen or an alien with lawful permanent resident status and you are not required to perform any services for the university or the grantor in return for your scholarship or fellowship award, the university is not required to withhold taxes on your award. You are responsible for determining whether your award, in whole or in part, is includable in gross income, and for paying appropriate taxes on it. USF may report the amount of your award on IRS Form 1098-T. A copy of Form 1098-T will be provided to both you and the IRS.
- U.S. tax law may require USF to classify all or part of the value of a tuition waiver as wages (subject to payroll taxes and withholding) if the recipient is required to perform services in order to receive the tuition waiver. Each College will determine whether tuition waivers granted to students represent payment for services, thus, some tuition waivers may be classified as scholarships, while others may be classified as wages.
- Foreign students may be subject to federal income tax withholding on amounts that do not represent compensation for services. This ensures compliance with U.S. laws on the part of individuals who are not U.S. citizens or U.S. permanent residents. In general, amounts paid (in excess of qualified tuition and related expenses) to nonresident students are taxable and subject to withholding. USF will automatically withhold 14% of scholarships payments in excess of required tuition and fees paid to nonresident aliens. Students may be eligible for a refund from the University Controller within 5–10 days for the taxes withheld if their home country has an income tax treaty with the U.S. For more information go to <http://web.usf.edu/iac/isss/scholarshiptax.html>

