

Appendix A: GRADUATE STUDENT SUPPORT AND THE TAX REFORM ACT OF 1986

Receipt of any fellowship, scholarship, stipend, or grant may have implications for federal and state income tax returns. Please consult a tax professional or visit the IRS website for more information: <http://www.irs.gov/Individuals/Students/Student%27s-Page---Higher-Education>.

The following summary information is subject to change and reflects our current understanding of the Tax Reform Act of 1986. In addition, it applies to candidates for degrees only. We have attempted to provide information that is as accurate as possible. However, the Graduate Division is not responsible for any tax liability or penalty students may incur because of information provided by the Graduate Division. Students requiring assistance with tax issues should contact a tax advisor or the ASUC Student Legal Clinic, 300-A Eshelman Hall, 642-9986.

Fellowship Awards Made After August 16, 1986:

Students may exclude from income any amount received as a fellowship that is used according to the conditions of the grant for:

1. Required tuition and fees.
2. Fees, books, supplies and equipment that are required for coursework.

All other amounts used for expenses, such as room and board or travel, are not excludable from income.

Teaching and Research Appointments Made After August 16, 1986:

No payments received for teaching, research, or other services, are excludable from income, even if all candidates for a degree are required to perform the services as a condition for receiving the degree.

Foreign Students

Foreign students who have fellowships or scholarships from a U.S. source are entitled to the same exclusions as U.S. citizens. Students who received funding directly from their home countries or an international agency are not required to report it.

Federal Tax Withholding on Fellowships

Federal tax will not be withheld on fellowships for students who are U.S. citizens or permanent residents. Federal tax will be withheld at a rate of 14% for foreign students unless their country has a tax treaty with the United States which exempts its citizens from withholding. If taxes are not withheld, you may be required to make quarterly payments depending on your estimated tax liability (see IRS Publication - 505). Only students who have had taxes withheld will receive a 1042-S form produced by the Payroll office.

Internal Revenue Service Reference Materials (www.irs.gov/formspubs/index.html)

Your Federal Income Tax – Publication 17
U.S. Tax Guide for Aliens – Publication 519
U.S. Tax Treaties – Publication 901
Tax Withholding and Estimated Tax – Publication 505
Tax Benefits for Education – Publication 970
Tax Guide for U.S. Citizens and Resident Aliens Abroad – Publication 54
Exemptions, Standard Deduction, and Filing Information – Publication 501
Foreign Tax Credit for Individuals – Publication 514
Taxable and Nontaxable Income – Publication 525
How Do I Adjust My Tax Withholding – Publication 919

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