To: Human Resource Representatives  

From: David Thurston, Assistant Vice President for Finance & Bursar  

Date: April 30, 2003  

Re: Taxability of payments from Trainee/Fellowship grants  

I write to refresh understanding of the issues surrounding taxability of payments to individuals from a trainee/fellowship grant. The terms often used to identify these payments (scholarship, fellowship, grant, stipend, etc.) frequently are irrelevant for determining the taxability of the payments.  

The determining factor for exemption from taxes would be that the substance and requirements of the payments must never result in any type of service or benefit to the University. Analysis of the award letter and the conditions therein are the primary means of making the determination. (Example: If a student must work in a lab, grade papers, teach a class or provide any services to a faculty member or a department in order to get a payment – the payment would not be eligible for exemption from tax.) The Finance Division (the Payroll Office with the assistance of the Office of Grants and Contracts) makes final determination for the taxability and report-ability for these payments.  

If the Finance Division determines that there is no employer-employee relationship, thus no service requirement, then an individual may be placed in the proper classification to allow the trainee the option to not withhold income taxes. This is a unique feature of trainee/fellowship grants, and it often creates confusion about the ultimate taxability of the payments. Our experience has shown that most payments from Trainee/Fellowship grants are compensation to the individual and as such are taxable. Emory encourages each recipient to consult a tax professional to determine if he/she has a tax liability. Emory will withhold taxes upon request from the trainee.  

Under the terms of the National Research Service Awards (NRSA) training program, the National Institutes of Health (NIH) have established that there is no employer-employee relationship between the institution (Emory) and the trainee. Therefore payments are not treated as compensation, and the payroll system will not withhold taxes. Irrespective, in most other cases various stipend incomes are taxable to the recipient. Again, Emory encourages each recipient to consult a tax professional to determine if he/she has a tax liability. Emory will withhold taxes upon request from the trainee.  

If you have any specific questions please feel free to contact me at 404-727-6089 or by e-mail at dthurst@emory.edu.