SCHOLARSHIP GUIDANCE

**What is a Scholarship?**

Scholarships as amounts paid to, allowed to, or for the benefit of a student to aid in the pursuit of studies. It may also be in the form of a reduction in the amount owed by the recipient for tuition, room and board, or any other fee.

If there is any service component tied to the funding, the amounts are considered compensation, the recipients are treated as employees, and the payments are subject to withholding and reporting as wages. To be non-taxable, **t**here must be no obligation required of the student other than remaining enrolled in a degree plan and maintain qualifying requirements of the award.

**Scholarships are excluded from income if the following requirements are met:**

* *(As provided in Section 117 of the Internal Revenue Code)*

**Excluded from income and are not taxable if:**

* The recipient must be a candidate for a degree at an eligible educational institution. Emory is an eligible educational institution.  The recipient does not necessarily have to be a candidate for a degree from Emory but must be a candidate for a degree.
* No teaching, research, or other services are required as a condition of receiving the scholarship.
* The award must be a "qualified scholarship". These expenses include tuition and fees related to education that are required to enroll at or attend the educational institution. Also included are course related expenses such as fees books, supplies, and equipment that are required for the course and are required for all students enrolled in that course.  However, expenses for such items that are not required for the course even though they may be suggested as being helpful are not qualified education expenses.

**Not Excluded from income and are taxable:**

Payments that cover other expenses do not qualify as they are more personal in nature and are not directly related to the student's education, even if these amounts must be paid as a condition of enrollment.

* Room
* Board
* Living Allowances
* Travel
* Health Insurance

**The Recipient is responsible for determining taxability:**

Emory's requirement for reporting these scholarships to the Internal Revenue Service for U.S. citizens, permanent residents and resident aliens (for tax purposes) is clearly defined.  **IRS Notice 87-31 places sole responsibility for determining taxability on the recipient.**

The college or university has no obligation to make this determination and, as such, no reporting to the IRS is required.  Notice 87-31 does recommend however that the educational institution advises students in writing that some or all of the financial support may be taxable and it is the student's responsibility to seek advice on potential income tax and filing requirements. The University is not required to withhold income tax on any scholarship payments to U.S. citizens, permanent residents, or resident aliens, and they are not reported to the IRS. However, the recipient must report the taxable portion of scholarships on his/her individual income tax return.

**\*Per Form 1099-MISC Instructions: Scholarships**. **Do not use Form 1099-MISC to report scholarship or fellowship grants.** Scholarship or fellowship grants that are taxable to the recipient because they are paid for teaching, research, or other services as a condition for receiving the grant are considered wages and must be reported on Form W-2. Other taxable scholarship or fellowship payments (to a degree or nondegree candidate) do not have to be reported to the IRS on any form, unless section 6050S requires reporting of such amounts by an educational institution on Form 1098-T, Tuition Statement. See section 117(b)–(d) and Regulations section 1.6041-3(n)

### Nonresident aliens

Emory University is required to appropriately tax and report all scholarship payments to nonresident aliens that are not directly applied to tuition and fees.  **Section 1441 of the Internal Revenue Code requires the payor to withhold or otherwise pay the appropriate tax on the income of nonresident aliens.**

In most cases the tax rate applied to scholarships is 14%, but an income tax treaty may eliminate the tax for a fixed number of years.  To prevent hardship, Emory pays the tax on behalf of the students if the income is not eligible for treaty benefits.  This is accomplished by "grossing up" the taxable amounts and reporting the full amount to the Internal Revenue Service as if the tax had been withheld.  See [NRA Definitions](https://finance.emory.edu/home/accounting/tax/foreign/definitions.html) for more information on "grossing up" income.  See [Nonresident Alien Tax Assistance](https://finance.emory.edu/home/accounting/tax/foreign/index.html) for further information.

**CONTACT FINANCE/TAX for additional guidance on Tax Reporting.**