

Scholarships/Fellowships & Taxes

Qualified vs. nonqualified scholarship/fellowship payments:

- Reporting and taxation of student payments is governed by the Internal Revenue Service (IRS).
- Scholarship/fellowship payments are not taxable to the extent they do not exceed the cost of tuition and fees, or course-required expenses (fees, books, supplies, equipment) and the student is a candidate for a degree. These non-taxable amounts are called *qualified education expenses*.
- Amounts in excess of qualified education expenses are taxable to the student, such as room/board, travel, cost of living allowance, etc., and are called *non-qualified education expenses*.

Tax reporting for U.S. persons (citizens, permanent residents, and resident aliens):

Per IRS Notice 87-31, when made to a U.S. person, the payor of a taxable scholarship/fellowship is not required to withhold income tax or to report the payment either to the student or the IRS. Therefore, U.S. students do not receive any tax form from CSU reporting taxable scholarship/fellowship payments made to them.

Tax reporting for foreign nationals:

All U.S. sourced non-qualified scholarship/fellowship payments made to foreign nationals are potentially subject to income tax withholding. Additionally, nonqualified scholarship/fellowship payments require reporting on IRS Form 1042-S when paid to foreign national students. The Foreign Tax Office uses the Sprintax Calculus international tax compliance system to evaluate for potential required withholding.

If no tax treaty benefit is available, and the student does not have a F1, J1, M1 or Q visa, then 30% taxes will be withheld. For those students with the preceding visa types, tax withholding will be 14%.

Residents of certain countries may be entitled to exemption from tax under a tax treaty between their country and the U.S. by applying for treaty benefits. Please contact the Foreign Tax Office for more information at bfs_foreigntax@mail.colostate.edu.