

## Scholarships and Fellowships: Important Tax Information for Students

Starting college means new responsibilities – including understanding how scholarships and fellowships affect your taxes. This guide explains what may be taxable, based on IRS rules ([Topic No. 421](#) & [Publication 970](#)).

### What's a Scholarship or Fellowship?

- A scholarship is generally an amount paid or allowed to a student at an educational institution for the purpose of study.
- A fellowship grant is generally an amount paid or allowed to an individual for the purpose of study or research.

**Not Taxable vs. Taxable:** Your scholarship or fellowship may be tax-free (not taxable) or reportable as income (taxable).

#### Not Taxable:

- You're enrolled in a degree program at a school like Virginia Tech.
- The amounts you receive are used to pay for qualified educational expenses, such as tuition and fees required for enrollment or attendance, or for fees, books, supplies, and equipment required for courses.
- Eligible students receive a [1098-T form](#) annually by January 31<sup>st</sup> through the billing and payment portal in [Hokie SPA](#). Box 1 shows payments for qualified expenses billed to the students' account for the calendar year. The 1098T WILL NOT include stipend amounts.

#### Taxable:

- Amounts used for incidental expenses, such as room and board, travel, and optional equipment, not required for the course. Optional equipment may be purchased for convenience but is not mandatory.
- Amounts received as payments for teaching, research, or other services required as a condition for receiving the scholarship or fellowship grant.
- IRS [Online Tax Assistant](#) tool can also help estimate whether your scholarship is taxable.

### U.S. Citizens and Resident for Tax Purposes

- You must determine if a portion of your award is taxable and **self-report** it on your federal and (if applicable) state income tax returns.
- The university does **not** withhold or report taxes on scholarships and fellowships for U.S. students and resident aliens.

### Steps to Prepare for Tax Season:

- **Keep Detailed Records:**
  - Track how you use your scholarship/fellowship funds throughout the year.

- Save receipts for all education-related expenses discussed in this guide.
- **Estimate Your Taxable Income:**
  - **Add it up:** What is the total amount I received from scholarships, fellowships and grants during the year (January-December)?
  - **Subtract Qualified Expenses:** Of that amount, what amount did I use for tuition and fees required for enrollment or attendance at the educational institution, or for fees, books, supplies, and equipment **required** for courses at the educational institution?
  - **The Rest is Taxable Income:** Amount represents incidental expenses, such as room and board, travel, and optional equipment and amounts received as payments for teaching, research, or other services required as a condition for receiving the scholarship or fellowship grant.
  - You can estimate your [tax liability](#) based on multiple tools available online or based on the information provided on the IRS website.
- **File Your Taxes:**
  - Report taxable amounts as part of your **gross income** on your tax return.
  - You may be eligible for education-related tax credits (e.g., [American Opportunity Credit](#), [Lifetime Learning Credit](#)). Review [IRS student guidance](#) for more information.

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## International Students (Nonresidents for Tax Purposes)

- **Tax Withholding:** Non-qualified scholarships and fellowships payments made to nonresidents in F, J, M, or Q nonimmigrant status are taxed at a 14% rate and reported on Form 1042-S.
- Nonresidents in other immigration statuses are subject to 30% withholding and reported on Form 1042-S.
- **Tax Treaties:** Students may claim treaty benefits by [submitting the appropriate forms](#) (e.g., IRS Form W-8BEN).
- **Tax Forms Provided:** Students who had taxes withheld will receive **Form 1042-S** from the university for tax reporting purposes.
- **File your tax return.** See [Cranwell's International Center website](#) for details.

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**Need More Help?** This information sheet is for general guidance only and should not be considered personal tax advice. Consult a qualified tax professional if you have questions or need additional information.