

Tax Reporting of Fellowship Income *For non-employee research fellows and students*

*This document is produced for **informational purposes only**, and should not be considered tax, financial or legal advice. Please consult your own tax or financial advisor with any questions.*

What is a fellowship?

A fellowship is any amount paid or allowed to, or for the benefit of, an individual to aid such individual in the pursuit of study or research. A fellowship may take the form of: (i) payment(s) to the recipient, such as stipend payments; (ii) reimbursement or payment of expenses, such as travel expenses, to or on behalf of an individual; or (iii) a credit against an existing term bill or a reduction in the amount owed by the recipient to an educational organization in connection with the pursuit of study or research.

Are fellowships treated as taxable income in the U. S.?

Fellowship payments are taxable, unless they are excluded from taxable income under Section 117(a) of the Internal Revenue Code.

Fellowship amounts are nontaxable where:

- The recipient is an individual, who is a candidate for a degree at an educational organization such as Harvard University (i.e., undergraduates or graduate students, but not post docs); **and**
- The fellowship amount is used for "qualified tuition and related expenses." Qualified tuition and related expenses include tuition and fees required for the enrollment or attendance of a student at an educational institution, such as Harvard, and fees, books, supplies and equipment required for courses of instruction at such an educational organization.

Fellowship amounts are taxable where:

- Amounts are used for room, board, travel, clerical help, equipment, incidental living expenses and other expenses not required for enrollment in or attendance at Harvard University;
- Amounts are given to non-degree candidates, such as post docs; or

- The fellowship grant is conditioned upon either past, present, or future services by the recipient, or upon services that are primarily for the benefit of the University.

Note: NRSA fellowship grants: Training program stipends under certain fellowship programs, such as NRSA awards under the NIH research training fellowships, do not represent compensation for services. That is because the stipends are not paid for or in connection with the performance of services, but are grants to participants to enable them to pursue programs of independent research, training, and original study, focusing on the experience to be gained by the recipient, rather than on the University's benefit.

Are fellowships subject to FICA?

Fellowship amounts are subject to FICA **only** if they are deemed to be “wages” for employment tax purposes. Whether fellowships are wages is an inherently factual determination, requiring consideration of all relevant facts and circumstances of the program.

***Will there be withholding from non-employee fellowship amounts?
(This depends on your tax status in the U.S.)***

If you are a nonresident alien for U. S. tax purposes, there will be withholding from your fellowship income, unless you qualify for and are granted a tax treaty benefit, which reduces or eliminates tax withholding. In the absence of a tax treaty benefit, the withholding rate depends on the type of visa held. For F, J, M, and Q visas, the withholding rate is 14%; for all other visas, the withholding rate is 30%.

If you are a U. S. citizen or resident alien for U. S. tax purposes, the University will not withhold from your non-employee fellowship payments. Therefore, you should consult your personal tax adviser to determine whether or not you should be making estimated tax payments with respect to your fellowship income.

Are there tax treaty benefits available for nonresident aliens who receive fellowship amounts?

Availability of tax treaty benefits varies with country of origin. Please contact University Financial Services if you wish to apply for a tax treaty benefit with respect to your fellowship amounts (1033 Massachusetts Ave, 2nd floor / 617-496-6800).

Will I receive a tax reporting form from the University showing fellowship amounts?

The answer depends on your tax classification in the U. S. The University is not required to report fellowship amounts for U. S. citizens or individuals, who are resident aliens for tax purposes, on a Form 1099 or other formal tax document. Therefore, it is important to keep your own records or to seek a summary from your department in order to have the information necessary to prepare your personal tax return.

If you are a nonresident alien for U. S. tax purposes, then you will receive a Form 1042-S, showing fellowship amounts for each calendar year, in the spring immediately following the relevant calendar year.

Are there IRS publications, which can help me to prepare my personal income tax return, showing fellowship income?

In preparing your personal income tax return, please consult with your own tax advisor, because University Financial Services is not authorized to provide individual tax advice. You may, however, find it helpful to read the IRS publication relevant to your personal situation:

- If you are a U. S. citizen or resident for tax purposes, who received fellowship amounts for studying, teaching or researching in the U. S., then see IRS Publication 970, Tax Benefits for Education, which is available at <http://www.irs.gov/publications/p970/index.html>
- If you are a U. S. citizen or resident alien for tax purposes, who received fellowship amounts for studying, teaching or researching outside the U. S., then see Publication 54, Tax Guide for U. S. Citizens and Resident Aliens Abroad, which is available at <http://www.irs.gov/pub/irs-pdf/p54.pdf>.
- If you are a nonresident alien for U. S. tax purposes, who received fellowship amounts for studying, teaching or researching in the U. S., then see Publication 519, U. S. Tax Guide for Aliens, which is available at <http://www.irs.gov/pub/irs-pdf/p519.pdf>.
- Federal income tax forms and publications can be downloaded from the IRS web site at <http://www.irs.gov>
- Massachusetts income tax forms and publications can be downloaded from the Massachusetts Department of Revenue (DOR) web site at <http://www.dor.state.ma.us/forms/FormsMenu2.htm>.

Once at the MADOR web site:

For individual state tax guides please use the navigation path below;
Home › Individuals and Families › Personal Income Tax › Current Year
Tax Information ›

Additional information regarding the taxation of nonresident aliens in the U. S.
can be found on the University International Office web site at
<http://www.hio.harvard.edu/taxesandsocialsecurity/>