Tax Status of University Scholarships, Fellowships, Grants, and Stipends

According to our records, you are the recipient of a scholarship, fellowship, or other similar stipend paid through Rice University. We want to alert you to how these payments are treated for U.S. federal tax purposes. Please read the following carefully.

It is each person’s individual responsibility to determine whether some or all of any scholarship, fellowship, stipend, or grant is taxable and to report any taxable portion on their tax return. This document is intended to inform you of the possible U.S. federal tax treatment of your payment based on the U.S. tax law and publicly available guidance. Rice University is not able to provide specific advice on how you should complete your individual tax return; you should consult your personal tax advisor with any questions or concerns.

The IRS uses the following terminology for U.S. federal tax purposes and it is helpful to understand their definitions:

- **U.S. citizen** – a person who is a citizen of the United States
- **Foreign national** – Generally, any person residing in the United States who is not a citizen is a Foreign National. For U.S. tax purposes, a foreign national can be as a U.S. resident alien or nonresident alien depending on whether certain tests are met.
- **Resident alien** – a noncitizen who has either:
  - Been given the privilege, according to the immigration laws, of residing permanently in the United States as an immigrant. You generally have this status if the U.S. Citizenship and Immigration Services (USCIS) issued you an alien registration card, Form I-551, also known as a “green card.” OR
  - Met the substantial presence test for the calendar year (see https://www.irs.gov/individuals/international-taxpayers/substantial-presence-test for instructions on meeting this requirement).
- **Nonresident alien** – a noncitizen who has met neither the green card test or the substantial presence test.

**General Rules for US Citizens, Resident Aliens and Nonresident Aliens:**

U.S. tax law states that in general a scholarship or fellowship isn’t taxable to you if you are a degree candidate at an educational organization and the proceeds are used for qualified tuition and related expenses such as fees, books, supplies and equipment required of all students taking the particular course. If your scholarship payment is applied directly against charges on your university student account, only those qualified expenses on your account are non-taxable to you for U.S. tax purposes.

Any portion of a scholarship, fellowship, or similar grant or stipend that is applied for nonqualified expenses is considered taxable to you, and should be included in your taxable income when you file your U.S. tax return. Nonqualified expenses are those expenses not required for enrollment or for a particular course, such as room, board, travel, insurance, or general living expenses. These items are generally subject to federal income tax, but not payroll tax such as FICA or Medicare tax.
The above qualified scholarship rule does not apply if a scholarship or fellowship grant represents payment for services such as teaching, research, or other services required as a condition for you to receive the payment. For example, payment for your service as a TA or RA is taxable income. Also, cash stipends for your services aren’t excludible from your taxable income as qualified tuition even if the money is used to pay tuition.

**International Students and Postdoctoral Researchers:**

International students and postdoctoral researchers who are nonresident alien may potentially be able to exclude a portion or all of their nonqualified payments or service income from their taxable income for U.S. tax purposes under the terms of an international tax treaty between the U.S. and their country of tax residence (tax treaty eligibility is based on an individual’s country of tax residence, visa type, and past U.S. visa/immigration history). **Treaty benefits are only available to individuals with U.S. social security numbers (SSNs) or individual taxpayer identification numbers (ITINs).**

International students and researchers should submit their SSN or ITIN to the University through their Foreign National Information System (FNIS) account. If tax treaty benefits are available, the necessary tax forms to claim the benefit will be sent to your FNIS account for you to print and sign. If you have any trouble accessing your FNIS account, you should contact the Payroll office at payroll@rice.edu for assistance. Any questions about obtaining an SSN or ITIN should be directed to the Office of International Students and Scholars at oiss@rice.edu.

**Tax Withholding:**

- Payments applied to a student account do not have taxes withheld.
- Payments made through payroll have taxes withheld based on the W-4 filled out by the student.
- Payments made through P2P (Graduate Fellows and Postdoctoral Fellows) do not have taxes withheld.

**Estimated Taxes:**

Fellows or other persons receiving nonqualified payments may need to make estimated quarterly payments to the IRS if they anticipate their tax liability for the calendar year will be $1,000 or more. However, you do not need to pay estimated tax for the current year if you meet all three of the following conditions.

- You had no tax liability for the prior year
- You were a U.S. citizen or resident for the whole year
- Your prior tax year covered a 12-month period

If you have questions about whether or not you should make quarterly payments, refer to IRS [Publication 505, Tax Withholding and Estimated Tax](https://www.irs.gov/publications/p505).