

Student Payments: Taxable or Not? And Other People Payments

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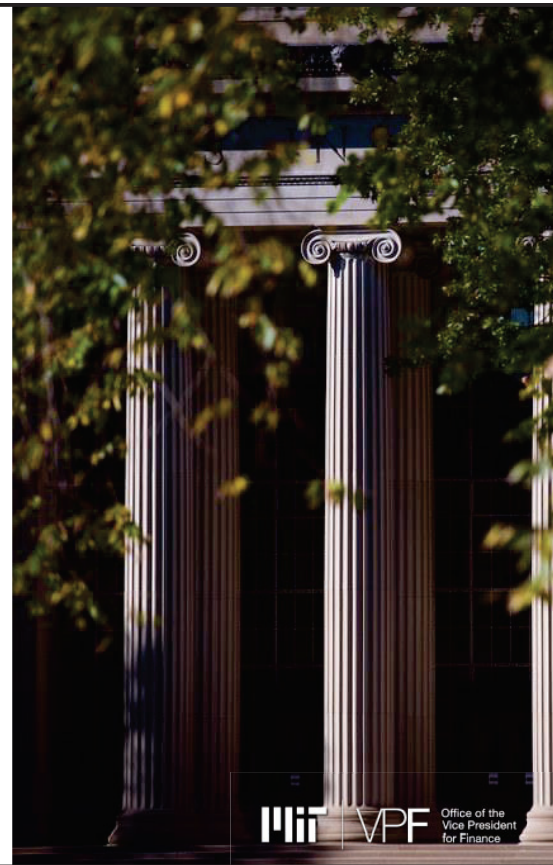
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Agenda

- What IS the payment?
 - Grant or stipend
 - Scholarship or fellowship
 - Wages or other compensation for services
 - Prize or award
 - Other
- Is the payment taxable?
- Is the payment reportable?

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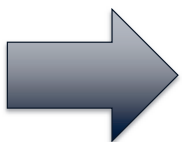
What is the Payment – Grant or Stipend

- IRS Definition of a Grant
 - Grants include the following types of expenditures:
 - Scholarships, fellowships, internships, prizes, and awards
 - Loans for charitable purposes
 - Program related investments
 - Payments to exempt organizations to further the organizations' exempt purposes
 - Grants do not ordinarily include the following types of expenditures:
 - Salaries or compensation to employees
 - Payments to persons for personal services in helping a foundation plan, evaluate, or develop projects or areas of program activity by consulting, advising, or participating on conferences organized by the foundation.

<https://www.irs.gov/charities-non-profits/private-foundations/grant-defined>

What is the Payment – Grant or Stipend

- Stipend – A form of compensation that is paid to certain individuals for services rendered, other work, or while they receive training
 - The IRS does not have a definition for Stipend. This definition is from Investopedia



The Institution must determine what is actually being paid and withhold taxes and report the payment accordingly

What is the Payment – Scholarship or Fellowship

- Scholarship – An amount paid or allowed to a student at an educational institution for the purpose of study



Student

- Fellowship – An amount paid or allowed to an individual for the purpose of study or research



Non-student or Researcher

<https://www.irs.gov/taxtopics/tc421>

What is the Payment – Scholarship or Fellowship (Cont.)

IRS Guidance:

- Qualified scholarships = tuition, fees, books, supplies and equipment required for enrollment or attendance of course at an educational organization
- Nonqualified scholarships = scholarship/ fellowship payment not meeting the definition above (e.g. scholarship funds used for room and board)

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