

International Tax Guide

Tax Information for International Scholarship and Fellowship (Stipend) Recipients

This handout is for all International Scholarship and Fellowship (Stipend) Recipients.

Guide Contents

What is a Stipend?.....	2
How Does a Stipend Differ from Wage?.....	2
How are Stipend Payment Issued?	2
Issued through payroll	2
Issued through accounts payable.....	3
Credited to student account.....	3
What are Tax Treaties for Scholarship/Fellowship?	3
Frequently Asked Questions.....	4
Resources.....	5
Definitions and Terms.....	6

What is a Stipend?

The term *stipend* is commonly used to describe fixed payments meant to defray the expenses of an individual acting in a student or researcher capacity. Scholarship, fellowship, and allowance payments are examples of *stipend* payments typically issued by CU.

How Does a Stipend Differ from Wage?

A *stipend* recipient is not viewed as being in an employment relationship with the payer, so *stipend* payments are distinct from wages in how they are reported and taxed. If you are unsure whether you are being paid wages or a stipend, please seek clarification from the paying department administrator.

Stipend	Wage
Payment is intended to support an individual's education or research activities.	Payment is compensation for work performed as an employee.
There can be no expectation of services (current or future) in exchange for payment.	Personal services are expected in exchange for payment.
Considered scholarship or fellowship by IRS and some or all of the payment may be includable as taxable income.	Generally taxable based on W-4 and reportable on Form W-2 (tax treaty exemption may be applicable).
Non-qualified amounts paid to nonresident aliens (NRA's) are generally subject to federal tax withholding* and are reportable by CU on Form 1042 (tax treaty exemption may be applicable).**	Nonresident aliens (NRA's) are subject to W-4 restrictions.
Non-qualified amounts paid to resident aliens (RA's) are not subject to tax withholding and are not required to be reported by CU. However, RA's are required to self-report taxable scholarship on their personal income tax returns which may result in tax owed to IRS and/or state department of revenue.***	Resident aliens (RA's) are subject to same tax rules as U.S. citizens.

*Recipients may owe state income taxes as well and should refer to the state department of revenue in their state of residence to determine whether estimated tax payments are warranted or required. CU does not withhold and report for state tax purposes on scholarship and fellowship payments.

**Payments that cannot be directly attributed to a qualified expense (such as tuition and mandatory fees) are treated as non-qualified for tax withholding and reporting purposes.

***Estimated tax payments may be warranted if taxable income is significant. See [IRS Publication 505, Tax Withholding and Estimated Tax](#) for more information.

How are Stipend Payment Issued?

Stipend payments might be issued by one of three methods: payroll, accounts payable or credited to a student's account.

Issued through payroll

- This is the common method for recurring payments.
- NRA's are subject to 14% upfront tax withholding on entire gross unless a tax treaty applies.
- Recipients are required to meet with an International Tax Specialist to ensure accurate withholding and reporting.
- Recipients who are also employed and receiving wage payments should refer to the employee guide associated with their U.S. tax residency status for information related to taxation of their wages.

Issued through accounts payable

- This is the common method for one-time payments.
- NRA's in F or J status are subject to 14% upfront tax withholding on entire gross unless a tax treaty applies.
- Recipients are not required to meet with an International Tax Specialist.
- Paying department is required to route payment request to intltax@cu.edu in order to ensure accurate withholding and reporting.

Credited to student account

- This is the common method for amounts awarded through financial aid.
- Recipients are not required to meet with an International Tax Specialist unless they wish to complete paperwork necessary to benefit from a tax treaty.
- Payments that are separate from or in excess of the amount required to pay mandatory tuition and required fees are subject to 14% tax unless a tax treaty applies.
- Students are notified of tax due by email and tax is collected through a charge to the student account.

What are Tax Treaties for Scholarship/Fellowship?

The U.S. has ratified [tax treaty agreements](#) with more than 60 countries across the world. These treaties are designed to provide limited tax benefits to eligible individuals to eliminate the double taxation of income.

Eligibility

Tax treaty eligibility is based on tax residency, not citizenship, and every treaty is different. If an individual determines they meet the qualifications for treaty exemption, they may make a claim for benefits on their federal income tax return.

The University of Colorado can facilitate an upfront treaty exemption for individuals whose treaty eligibility is straightforward. CU is never obligated to facilitate tax treaty exemption when eligibility is unclear. When a treaty and potentially applicable treaty article exist, factors affecting eligibility include, but are not limited to:

- Countries of residency prior to U.S. entry
- Prior history of U.S. presence
- Social Security Number requirements
- Specific criteria set forth within the treaty related to back-to-back or one-time use clauses, foreign residency throughout exemption period, applicability of the saving clause, etc.
- Changes of status or taking steps to become a U.S. permanent resident

The university's ability to facilitate benefits is determined during an initial 'new employee' or 'new stipend recipient' appointment with the International Tax Office. Upfront tax treaty exemptions commence only after all necessary paperwork has been completed and received by the International Tax Office. Employees receiving upfront tax treaty exemptions are required to notify the International Tax Office immediately of any changes to their immigration status or if they take steps to apply for permanent residency; failure to do so can create significant tax burdens for the taxpayer.

Frequently Asked Questions

Q. Am I required to meet with an international tax specialist if I will receive a stipend payment?

- A. Stipend recipients receiving payments issued through payroll are required to meet an International Tax Specialist.

Stipend recipients receiving payments issued as a credit to their student account, or through accounts payable, are not required to meet with an International Tax Specialist but should contact intltax@cu.edu if they have questions about tax or if they wish to complete tax treaty paperwork.

Stipend recipients who are not sure how their payment will be issued should contact the paying department for clarification.

Q. Do I have to report my stipend income to the IRS?

- A. Both nonresident and resident aliens are required to report any nonqualified portion of scholarship or fellowship income to the IRS on their personal income tax return.

If your only income was qualified scholarship or fellowship, you do not have to file a tax return and no reporting is necessary.

Refer to Chapter 1 of [IRS Publication 970 Tax Benefits for Education](#) for details about how to determine the portion of scholarship or fellowship that is nonqualified (taxable) and how to report the income.

Q. What if I receive scholarship from a non-U.S. source?

- A. Nonresidents are subject to U.S. tax only their U.S. source income where residents are subject to U.S. tax on their worldwide income.

The income source for scholarship and fellowship is determined based on the location of the payer rather than the location where the scholarship activity takes place.

Scholarships/fellowships issued by foreign governments or other non-U.S. entities are generally considered non-U.S. sourced and not subject to U.S. tax when paid to a nonresident alien.

Q. I'm a resident alien. How do I know how much to report to IRS?

- A. Though the university is not required to report scholarship/fellowship payments to U.S. citizens and resident aliens, individuals are expected to self-report nonqualified amounts received on a U.S. tax return. Resident aliens should refer to their pay advice, student account, award letter or similar documentation to identify the total scholarship or fellowship payment received. Chapter 1 of [IRS Publication 970 Tax Benefits for Education](#) provides details about how to determine the portion of scholarship or fellowship that is nonqualified (taxable).

Resources

[IRS Publication 970, Tax Benefits for Education](#)

Am I a resident or nonresident alien?

See chapter 1

Is my scholarship subject to U.S. tax?

See *Scholarships, Grants, Prizes, and Awards* in chapter 2

See *Scholarships and Fellowship Grants* in chapter 3

See chapter 9

Am I eligible for any benefits under a tax treaty?

See *Income Entitled to Tax Treaty Benefits* in chapter 8

See chapter 9

What forms must I file and when and where do I file them?

See chapter 7

[IRS Publication 519, U.S. Tax Guide for Aliens](#)

Is my scholarship qualified or non-qualified?

See *Scholarships and Fellowship Grants* in chapter 1

Do I have to report my scholarship/fellowship?

See *Reporting Scholarships and Fellowship Grants* in chapter 1

What forms must I file and when and where do I file them?

See *How to Report* in chapter 1

Definitions and Terms

Nonqualified expenses: Expenses separate from or in excess of tuition, fees and course-related expenses, required by all students in the same program of study, for enrollment at an eligible educational institution. Nonqualified expenses include but are not limited to room and board, travel, meals and equipment not required for enrollment.

Nonresident for U.S. tax purposes (NRA): A person who is not a U.S. citizen and who does not meet either the [Substantial Presence Test](#) or the [Green Card Test](#) described in [IRS Publication 519, U.S. Tax Guide for Aliens](#).

Qualified expenses: Expenses for tuition, fees, and course-related expenses, required by all students in the same program of study, for enrollment at an eligible educational institution.

Resident for U.S. tax purposes (RA): A person who is not a U.S. citizen and who meets either the [Substantial Presence Test](#) or the [Green Card Test](#) described in [IRS Publication 519, U.S. Tax Guide for Aliens](#).

Scholarship or Fellowship: A payment intended to benefit a student or scholar in the pursuit of their personal education or research. Payments are distinguished from wages in that there can be no expectation of personal services in exchange for the payment. Amounts paid for qualified expenses are generally nontaxable where amounts paid for nonqualified expenses are generally taxable. Additionally, nonresident alien recipients are subject to tax withholding on the nonqualified portions of scholarship or fellowship income.

Stipend recipient: Any **recipient** of non-service scholarship or fellowship intended to support personal study or research.

Wages: A payment made in exchange for personal services provided as an employee. Payments are distinguished from scholarship/fellowship (sometimes referred to as stipend) payments which cannot require services in exchange for payment.