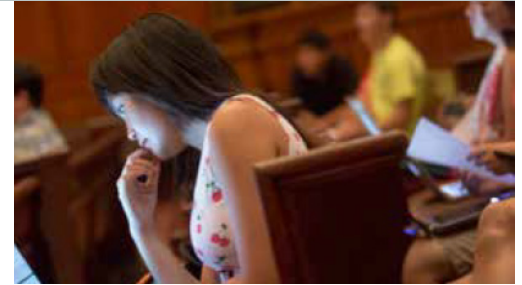


Fellowship Payments

FREQUENTLY ASKED QUESTIONS



What is a fellowship payment?

The IRS defines a fellowship payment as an amount paid or allowed to an individual to aid that individual in the pursuit of personal research or scholarship. If a fellowship payment includes any payment for past, present or future services by the recipient, such payments have a different tax treatment.

What do I need to know about fellowships and taxes?

All or some portion of fellowship payments may constitute “gross income” to the recipient. Gross income amounts need to be included on the recipient’s tax return. Every time a person receives a payment from Harvard – even an expense reimbursement - that payment may be considered gross income unless an exclusion applies. Depending on the situation, taxes may be withheld up front from gross income payments (as with salaries and wages) or may not be withheld (as with service payments to U.S. resident independent contractors).

What are examples of common fellowship payments that are included in gross income?

- Payments for living or other personal expenses (i.e., stipends, payments for health insurance)
- Payments to cover travel, computers, or other research- or scholarship-related expenses for the recipient’s own personal research or scholarship.
- Payments conditioned on past, present or future services by the recipient

What are examples of common fellowship payments that are excluded from gross income?

Qualified tuition and related expenses/pass through course costs:

1. Payments where the recipient is a candidate for a degree at Harvard University; **AND**
2. 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 Harvard, and fees, books, supplies and equipment required for courses of instruction at Harvard. A student can be reimbursed for travel or other expenses required as part of a course as long as the expenses are required of all students in the course, are necessary in delivering the course and are budgeted as part of Harvard’s course costs.
3. University business expenses: payments where a faculty member or other authorized Harvard employee determines that the expense is in direct support of University research or scholarship (as defined in the Fellowships and Business Expense Reimbursements for Students and Non-employee Postdocs/Fellows Policy); these expenses may be excluded from gross income and reimbursed as University business expenses.

Will taxes be taken out of my fellowship payment up front?

Whether or not taxes will be withheld from a fellowship payment depends on whether the recipient is a US resident for tax purposes or a nonresident alien:

For US tax residents, Harvard is not required to take taxes out of the non-service fellowship payment up front, nor is Harvard required to report the payments to the recipient or to the IRS. However, the recipient is required to declare the payment as gross income on his or her tax return and may be required to pay taxes on the fellowship amount. For recordkeeping, recipients should retain documentation about fellowship payments (check stubs, etc.). Withholding is required if a fellowship payment is conditioned on past, present or future services by the recipient, and such payments will be reported.

For nonresident aliens, Harvard may be required to take taxes out of the payment up front. The taxes are generally withheld at a 14% or 30% rate, but can be reduced or eliminated if a tax treaty is available for the recipient's home country AND if the recipient completes and submits the required forms to University Central Payroll. For nonresident aliens, Harvard is required to report payments to the recipient on Form 1042-S and to the IRS. The recipient may be eligible for a refund of some or all of the withheld taxes when he or she files a tax return.

The different tax withholding rules for US tax residents and nonresident aliens will affect the amounts that fellowship recipients receive up front.

For example, if a US tax resident and a nonresident alien both are awarded a \$5,000 travel grant, the US tax resident will receive the full \$5,000 up front, while the nonresident alien could receive as little as \$3,500 (assuming a 30% withholding rate is required). Note that this may be a timing issue, as the US tax resident may be required to pay taxes on the \$5,000 and the nonresident alien may be eligible for a refund of some or all of the taxes withheld when they file their tax returns. A professional tax preparer can provide additional guidance.

Where can I learn more about fellowships and taxes?

In preparing a personal income tax return, fellowship recipients should consult with a personal tax preparer or advisor. Harvard University is not permitted to provide individual tax advice. Recipients may, however, find it helpful to read the IRS publication relevant to their personal situation:

- [IRS Pub 970, Tax Benefits for Education](#)
- [IRS Pub 519, U.S. Tax Guide for Aliens](#)
- Federal income tax forms and publications can be downloaded from the [IRS website](#)
- Massachusetts income tax forms and publications can be downloaded from the [Massachusetts Department of Revenue \(DOR\) website](#)
- [IRS guidance: Withholding Federal Income Tax on Scholarships, Fellowships, and Grants Paid to Aliens](#)

Where can I go with questions?

A personal tax preparer or advisor can guide recipients based on their particular situations.

Local departments can provide information about dates and amounts of payments

For general information:

Central Payroll at 617-495-8500, option 4 or ufs_crt@harvard.edu

Nonresident Alien Tax at 617-495-8500, option 5

or nrtax_ufs@harvard.edu

Accounts Payable at 617-495-8500, option 1

or ap_customerservice@harvard.edu

