



Tax Implications and Reporting Requirements of Payments to International Students **(“Nonresident aliens”)**

1. Non-Taxable Fellowship

A fellowship payment received by a candidate for a degree, also called a “scholarship” payment by the IRS, is not taxable income to the student if it is used for tuition and required fees, and/or for books, supplies, and equipment required of all students in the course. These payments do not need to be reported to the student by the University and do not need to be reported to the IRS by the University.

2. Taxable Fellowship

A payment used for expenses other than those described in section 1 is a taxable fellowship, also referred to as a stipend. Examples include payments used for living and incidental expenses such as room and board, travel, non-required books and personal computers, etc.

A taxable fellowship paid to a nonresident alien with a “F-1”, “J-1”, “M-1”, or “Q-1” visa is subject to U.S. income tax withholding at a rate of 14% unless tax treaty relief is available. Currently, state taxes are not required to be withheld by the University even though the payments may be taxable in the state. This, however, is subject to changes in state legislation. A taxable fellowship is not subject to FICA withholding.

Students from countries that have a tax treaty with the U.S. that includes a scholarship article may claim exemption or a reduction of the 14% withholding if the payment meets the requirements of the treaty. The student must, however, complete the required forms at the University’s Tax Department.

The University reports stipend payments and the amount of federal tax withheld, if any, on Form 1042-S to the student and to the IRS. Students are responsible for reporting these payments and remitting any tax due with their personal income tax return, e.g. Forms 1040NR or 1040NR-EZ and the corresponding state forms.

3. Payments Involving Services

Payments received in connection with the past, present or future performance of services by a nonresident alien student are taxable income, subject to federal and state income tax withholding by the University. Federal and state income taxes are withheld throughout the year based on the Form W-4, *Employee’s Withholding Allowance Certificate*, completed by the student. Nonresident alien students on F-1, J-1, M-1, or Q-1 status, who comply with the terms of their status, are exempt from FICA for certain periods. Once a nonresident student becomes a resident alien, the general “student FICA” exemption will apply.

Nonresident alien students who receive payments that are not exempt from income tax withholding under a tax treaty will receive a Form W-2, *Wage and Tax Statement*, from GW. Form W-2 is also provided to the IRS.

Students from countries that have a tax treaty with the U.S. that includes a wage article may claim exemption or a reduction of income tax withholding if the payment meets the requirements of the treaty and the student completes the required forms with the University's Tax Department. Nonresident aliens who had a portion of their payments exempted from withholding under a U.S. income tax treaty will receive 1042-S, *Foreign Person's U.S. Source Income Subject to Withholding*, for that portion of the payments. The income reported on Form 1042-S will not be duplicated on Form W-2. Form 1042-S is also provided to the IRS.

Nonresident alien students are responsible for reporting their exempt and taxable payments and remitting any tax due with their personal income tax return, e.g. Form 1040NR or 1040NR-EZ and the corresponding state forms.

For more information regarding the taxation of payments to U.S. students, please consult the Tax Department at 571-553-8313 or tax@gwu.edu.