



THE GEORGE  
WASHINGTON  
UNIVERSITY  
WASHINGTON, DC

## **Tax Implications and Reporting Requirements of Payments to U.S. Citizens, Permanent Residents or Resident 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 student or 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. These payments *are taxable* income to the student; however, the University is not required to withhold income tax or FICA tax on the payment. In addition, the University is not required to provide to the student or to the IRS any type of year-end summary such as Forms W-2 or 1099-MISC for these payments. Students, however, are responsible for reporting these payments and remitting any tax due with their personal income tax return, e.g. Forms 1040 or 1040-EZ and the corresponding state forms.

Students should maintain a record of the stipend payments they have received during the calendar year (January 1 to December 31), remembering to include payments they received by check via Accounts Payable. The total annual payments received can also be obtained from the departmental fellowship letter(s) (remembering to refer to letters from more than one academic year, if applicable, so that payments are allocated to the correct calendar year).

### **3. Payments Involving Services**

Payments received in connection with the performance of past, present or future services by a student are taxable income, subject to federal, state and FICA 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. The tax law provides for an exemption from FICA for students receiving payments who are also enrolled in and regularly attending classes at the University (also referred to as the “student FICA” exemption).

The University reports the total of all payments involving services (from all GW departments, positions and semesters within the calendar year) made to U.S. citizens and resident alien students, along with any related income and employment taxes withheld, on Form W-2, *Wage and Tax Statement*. Form W-2 is provided to the student and the IRS. The student is required to report this income on his or her annual personal income tax return.

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](mailto:tax@gwu.edu).