Guidance for Tax Reporting of Fellowship Income for Students and Non-Employees

RISD is proud to be able to offer a number of fellowships to support our students and outside researchers or affiliates to gain foundational experience that will ignite their careers or stimulate their practices. As you will discover in your arts and design careers, some fellowships require tax reporting. The guidance around fellowship tax reporting can be complex. Please carefully read the guidance below to learn about the tax requirements connected with your recent fellowship award.

Please note that RISD is providing you with this as an alert, not as tax, financial or legal advice. RISD does not represent you as to tax, legal, or financial matters, and does not provide you with tax, legal, or financial advice. The purpose of this guidance is to make you aware of the responsibilities associated with a fellowship. If you have questions specific to your taxable liability, we encourage you to consult with an outside tax or financial advisor.

Note that there are online resources for artists and designers to learn about taxes, as well as Art of Business sessions provided by RISD Career Center, so that you can learn more about the financial aspects of your practice.

What is a fellowship?

A fellowship is any amount paid or allowed to, or for the benefit of, an individual to aid such individual in the pursuit of study or research. A fellowship may take the form of: (i) payment(s) to the recipient, such as stipend payments; (ii) reimbursement or payment of expenses, such as travel expenses, to or on behalf of an individual; or (iii) a credit against an existing term bill or a reduction in the amount owed by the recipient to an educational organization in connection with the pursuit of study or research.

Are fellowships treated as taxable income in the United States?

Fellowship payments are taxable, unless they are excluded from taxable income under Section 117(a) of the Internal Revenue Code. Please see below for details:

Fellowship amounts are taxable where:

- Amounts are used for room, board, travel, clerical help, equipment, incidental living expenses and other expenses not required for enrollment in or attendance at RISD;
• Amounts are given to non-degree candidates, such as post docs; or

• The fellowship grant is conditioned upon either past, present, or future services by the recipient, or upon services that are primarily for the benefit of the College.

Fellowship amounts are **nontaxable** where:

• The recipient is an individual, who is a candidate for a degree at an educational organization such as Rhode Island School of Design (RISD) (i.e., undergraduates or graduate students, but not post docs); **and**

• 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 an educational institution, such as RISD, and fees, books, supplies and equipment **required** for courses of instruction at such an educational organization.

**Are fellowships subject to US payroll tax or FICA?**

Possibly. Fellowship amounts are subject to FICA only if they are deemed to be “wages” for employment tax purposes. To determine if fellowships are wages, you must consider relevant facts and circumstances of the program. Fellowship program guidelines should alert you to the FICA status of your payment. You will know if your fellowship is subject to FICA, if the taxes are withheld from the total amount prior to distribution. If this is unclear in the program guidelines, reach out to the program manager or funding organization to confirm the taxable status.

**Will there be withholding from non-employee fellowships if I am a U.S. resident or qualify as a resident alien for tax purposes?**

No. This is the most important consideration of your fellowship responsibilities. When you receive a fellowship from RISD, the College will **not** withhold from your non-employee fellowship payments. You must take responsibility for paying the tax to the U.S. government yourself.

You will need to do some extra work to pay taxes on your fellowship. It is ideal to consult a personal tax adviser to determine whether or not you should be making estimated tax payments with respect to your fellowship income. An estimated tax payment means that you pre-pay what you estimate you will owe for the income you receive. If you do not pre-pay, be aware that a large fellowship might result in a significant tax burden on April 15th. The estimated tax payment is especially helpful when you must manage a larger tax bill, splitting it into a scheduled payment plan.

For U.S. citizens, fellowships are considered taxable income and should be reported when you file your state and federal tax returns.
Will there be withholding from non-employee fellowships if I am considered a non-resident alien for tax purposes?

Possibly. If you are a nonresident alien for U.S. tax purposes, there will be withholding from your fellowship income unless you qualify for and are granted a tax treaty benefit, which reduces or eliminates tax withholding. To determine if you qualify for a tax treaty benefit, please go to the IRS website and search for individual tax residency status to learn about your individual status, or consult with a tax advisor.

Individuals who claim a treaty exemption must provide the withholding agent or RISD with a Taxpayer Identification Number (TIN), whether it is a social security number (SSN) or an individual taxpayer identification number (ITIN), on IRS Form W-8BEN or on IRS Form 8233. If you do not supply a TIN, SSN or ITIN the withholding agent cannot allow the treaty exemption. If a fellowship recipient does not have a TIN at the time he or she claims a tax treaty exemption on IRS Form 8233, he or she must apply for one. For assistance applying for a TIN, go to the IRS “How do I apply for ITIN?” webpage. You will have to apply by mail or in person at an IRS office. Please note that it takes 7 weeks to process your ITIN application.

If I am not granted a tax treaty benefit, what is the tax on my fellowship?

In the absence of a tax treaty benefit, the withholding rate depends on the type of visa that you hold. For F, J, M, and Q visas, the withholding rate is 14%; for all other visas, the withholding rate is 30%. In these cases, the tax will be applied before you receive your award.

For example, if you receive a fellowship of $10,000 and your withholding rate is 14% because of your visa status, $1,400 will be withheld. If you have a fellowship of $10,000 and have a tax burden of 30%, $3,000 will be withheld. Please keep this in mind when planning for your fellowship. You might need to be careful not to assume you will receive full funds and adjust your personal budget accordingly.

Are there tax treaty benefits available for nonresident aliens who receive fellowship amounts?

You may have tax treaty benefits available to you. It varies with country of origin. Please contact the Accounts Payable Office if you wish to apply for a tax treaty benefit with respect to your fellowship amounts (accpay@risd.edu).

Will I receive a tax reporting form from the College showing fellowship amounts?

RISD is not required to provide a Form 1099 or other formal tax document to report fellowship amounts for U.S. citizens or resident aliens for tax purposes.
Therefore, it is important to keep your own records or to seek a summary from the office awarding the fellowship in order to have the information necessary to prepare your personal tax return. Keep your fellowship award letter for your files as documentation of the award. Be prepared to report the fellowship as income on your tax return.

However, if you are a nonresident alien for U.S. tax purposes, you will receive a Form 1042-S, showing fellowship amounts for each calendar year, in the spring immediately following the relevant calendar year. This Form will document the withholding applied to the fellowship. As a result, nonresident aliens are not required to report income to the IRS, but you should keep your Form 1042-S in a safe place in case you need it for further tax reporting.

**Where can I find information, such as IRS publications, to help me prepare a personal income tax return that shows fellowship income?**

In preparing your personal income tax return, please consult with your own tax advisor, because RISD is not authorized to provide individual tax advice. You may, however, find it helpful to read the IRS publication relevant to your personal situation:

- If you are a U. S. citizen or resident for tax purposes, who received fellowship amounts for studying, teaching or researching in the U.S., then see IRS Publication 970, Tax Benefits for Education, which is available at [http://www.irs.gov/publications/p970/index.html](http://www.irs.gov/publications/p970/index.html).

- If you are a U.S. citizen or resident alien for tax purposes, who received fellowship amounts for studying, teaching or researching outside the U. S., then see Publication 54, Tax Guide for U. S. Citizens and Resident Aliens Abroad, which is available at [http://www.irs.gov/pub/irs-pdf/p54.pdf](http://www.irs.gov/pub/irs-pdf/p54.pdf).


- Additional information regarding the taxation of nonresident aliens in the U.S. can be found on the RISDOISS web site at: [http://www.oiss.risd.edu](http://www.oiss.risd.edu).