**Scholarships - Nonresident Aliens**

Scholarship is an amount paid to a student, to aid such individual in pursuing his studies, and for which services are not required. A scholarship will be treated as compensatory if it is paid in consideration of past, present, or future services. If the payment is based on a past accomplishment or activity, it will generally be considered a prize or award. If, instead, the payment is for a future or continuing educational activity that does not require the performance of service, it will generally be considered a scholarship.

“Qualified scholarship” is the amount used for tuition, fees, and course-related expenses. This is not subject to federal income tax withholding and not reportable to the IRS. Substantiate scholarship payments with documentation that specify the expenses that are covered.

“Non-qualified scholarship” is the amount used for room, board, travel, research and other expenses not required for enrollment. This is subject to federal income tax withholding and reportable to the IRS.

Applying the scholarship to a student’s account does not automatically make the payment not taxable and not reportable. A refund after scholarship is applied to the student’s account can be taxable if supporting documents do not indicate that the payment is for tuition, fees and course-related expenses.

Scholarship payments to nonresident aliens must be reviewed before they are released to the student so the right tax withholding rate or tax treaty benefit is applied. Contact Reporting and Tax staff to ensure that we remain in compliance with tax regulations.