

MEMORANDUM OF UNDERSTANDING

Tax Implications for Fellowships for Students

Revisions to the Internal Revenue Code effective January 1, 1987, changed the tax status of fellowships and scholarships. Please note your tax responsibility under this law. Outlined below are some key points regarding this tax law.

- If you receive a fellowship or scholarship award for which you are not required to perform any services, the portion of the award which is used for qualified tuition and related expenses (tuition and fees, books, supplies and other equipment required for courses) is tax exempt. However, any portion of the award used for other expenses, such as room and board, is considered part of your gross income.
- If the terms of your scholarship or grant require that any amount cannot be used for tuition, fees, books, supplies or required equipment for your courses, (i.e., a certain amount must be used for room, board or anything other than tuition, fees, books, supplies or equipment) that amount is taxable and must be reported on your income tax return.
- Because you are a U.S. citizen or an alien with lawful permanent resident status and you are not required to perform any services for the university or the grantor in return for your fellowship or scholarship award, the university is not required to withhold taxes on your award. You are responsible for determining whether your award, in whole or in part, is includable in gross income, and for paying appropriate taxes on it. The University of Florida has no tax reporting obligation to you.
- In order to claim that all or part of your fellowship or scholarship award was used for qualified tuition and related expenses, you will need to maintain records to document such expenses.
- Foreign students, F-1 and J-1 visa holders, may be subject to withholding even on amounts which do not represent compensation for services. This is to ensure compliance with U.S. laws on the part of individuals who are not permanent residents of this country. In general, if an amount paid through the State payroll system to a nonresident is taxable, it is subject to withholding. Some foreign students may be exempt from U.S. withholding taxes under one or more provisions of a tax treaty which their home country has concluded with the United States. Your visa status and country of residence requires that payments to you meet certain conditions.

Additionally, if services are not required, no employment relationship exists between you and the university. Thus, you are not covered under workers compensation. (F.S. 400.090(a)).

This memorandum is only for general information. Each recipient is responsible for determining how the tax law applies to his or her particular circumstances.

Please sign on the appropriate line(s) below. Your signature(s) indicates that you understand your obligation(s) regarding the reporting of taxable income on your tax return. You also understand the terms of the fellowship and/or scholarship.

QUALIFIED AS A FELLOW (U.S. Citizens and Permanent Residents) I acknowledge the fact that payment(s) due me will have deducted from it/them any expenses which I owe to the university including fees, housing, infirmary, library, traffic and parking, and other charges. (If you are eligible for a tuition payment, that payment will be made before you receive your first fellowship payment.) All checks for fellowship payments will be mailed to the local address currently on file in the Registrar's Office or, for post-doctoral fellows, to the address listed in the personnel/payroll system. It will be my responsibility to notify the Registrar's Office of any updates needed for this address. I further understand that before I can receive any payments for my fellowship, I must be properly registered for the credit hours needed to be eligible for the fellowship. If I am a post-doctoral fellow, I understand there is no registration requirement.

If no services are required, I am not a University of Florida employee. I understand that I am not covered under workers compensation and that I am not subject to any payroll tax withholding requirements. Furthermore, I understand my U.S. tax reporting obligation and have filed or plan to file for this calendar year.

Print Name

Social Security Number

Signature

Date

OR

A NONRESIDENT ALIEN IN F-1/J-1 VISA STATUS QUALIFIED AS A FELLOW (Receipt of Qualified and Nonqualified amounts only) Because I am not a U.S. citizen, payments to me are governed by my visa status, U.S. tax laws, and/or the tax treaty between the U.S. and my country of residence. My receipt of any payments to me should be in accordance with all of the above. I understand that the University of Florida, the disbursing agent, will, through the Bureau of State Payrolls, issue a Form 1042S annually. I also understand that it is my responsibility to file Form 1040NR each calendar year. Furthermore I understand that failure to file this U.S. tax return and resubmit my Form W-4 at the beginning of each calendar year, may disqualify me for receipt of monies under this or other programs.

Print Name

Social Security Number

Signature

Date