

University of California San Diego
Skaggs School of Pharmacy and Pharmaceutical Sciences

TAXABILITY OF STIPEND PAYMENTS

The 1986 Tax Reform Act amended Section 117 of the Federal Internal Revenue Code by making all graduate student salary payments and most of the stipend payments fully taxable income; however, qualified fee and tuition awards remain non-taxable income. (See description of qualified education expenses below).

California tax law follows federal law for the taxability of graduate awards. For more information, refer to IRS Publication 970, Tax Benefits for Education <http://www.irs.gov/publications/p970/index.html>.

Students are advised to retain stipend information, payroll wage information, as well as receipts and documents that show the total amount of your support and qualifying educational expenses.

Note that the tax year (calendar year) and the academic year are different. Income received during the calendar year should be reported on that year's tax return.

STIPEND PAYMENTS
(FELLOWSHIPS, TRAINEESHIPS & SCHOLARSHIPS)

All stipend payments are considered taxable income except any amount used on course-related expenses, such as qualified tuition/fees, books, supplies, and equipment that are required of all students in your course of instruction.

No W-2 or 1099 Form is issued. Students must report the taxable amount on your tax return.

Qualified education expenses for the purposes of tax-free stipends, scholarships and fellowships include: Tuition and fees required to enroll at or attend an eligible educational institution, and course-related expenses, such as fees, books, supplies, and equipment that are required for the courses at the eligible educational institution. These items must be required of all students in your course of instruction.

Qualified education expenses do not include amounts paid for: insurance, medical expenses (including student health fees), room and board, transportation, or similar personal, living, or family expenses. This is true even if the amount must be paid to the institution as a condition of enrollment or attendance.