

February 26, 2009

MEMO FROM THE BUSINESS OFFICE

Tax-Free Scholarships and Fellowships

A scholarship or fellowship is tax free only if:

- You are a candidate for a degree at an eligible educational institution, and
- You use the scholarship or fellowship to pay qualified education expenses.

You are a **candidate for a degree** if you:

- Attend a primary or secondary school or are pursuing a degree at a college or university, or
- Attend an accredited educational institution that is authorized to provide:
 - A program that is acceptable for full credit toward a bachelor's or higher degree, or
 - A program of training to prepare students for gainful employment in a recognized occupation.

An **eligible educational institution** is one that maintains a regular faculty and curriculum and normally has a regularly enrolled body of students in attendance at the place where it carries on its educational activities.

For purposes of tax-free scholarships and fellowships, **qualified education expenses** are for:

- 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. However, in order for these to be qualified education expenses, the terms of the scholarship or fellowship cannot require that it be used for other purposes, such as room and board, or specify that it cannot be used for tuition or course-related expenses.
-

Qualified education expenses **do not include** the cost of:

- Room and board,
- Travel,
- Research,
- Clerical help, or
- Equipment and other expenses that are not required for enrollment in or attendance at an eligible educational institution.

This is true even if the fee must be paid to the institution as a condition of enrollment or attendance. Scholarship or fellowship amounts used to pay these costs are taxable.

For information on whether you must file, please seek your tax advisor.