Non-Resident Alien Fellowship Recipients

Non-Resident alien graduate students who receive a fellowship in excess of mandatory costs of attending school (tuition, books, and mandatory fees) are subject to backup withholding of federal taxes per Internal Revenue Service regulations. The following procedure is to be used to determine if the recipient is subject to the taxes, and the method to be used to process the fellowship for those who are subject to taxes.

Is the recipient eligible for exemption from taxes?

TREATY EXEMPTIONS
If the fellowship recipient is eligible for a treaty exemption, the Payroll office will notify you. If he/she does not submit Form W-8BEN, the fellowship will be subject to taxes at 14%. If the recipient is not subject to taxes due to a treaty exemption and has filed Form W-8BEN with the payroll office, the fellowship may be processed as is normal for U.S. citizens.

FELLOWSHIP SOURCE EXEMPTIONS
Fellowships funded from a USAID grant OR from sources outside the United States are not subject to backup withholding of taxes, and may also be processed as is normal for U.S. citizens.

FELLOWSHIP TAXABLE PORTION – Instructions on completing the worksheet
If the non-resident alien fellowship recipient is NOT exempt from taxes, the following steps must be taken:

1. Determine the taxable portion of the fellowship:
   a. For the fellowship amount, enter the stipend and tuition for the academic period that the fellowship pertains to (A).
   b. Summarize non-taxable costs for the academic period that the fellowship pertains to. Non-taxable costs include tuition, MANDATORY fees, and the costs of books. Mandatory fees are defined as required fees to attend school and include such fees as lab fees, student health fees, and student center fees. Other costs such as housing fees and dining plans are not considered mandatory (B).
   c. To determine the NRT earnings amount, take the Total Fellowship (A) minus Non-taxable amount (B) -
   d. To determine the NFN earnings amount, take the Non-taxable amount (B) minus tuition costs only.
Example: Fall Semester 2007

*Fellowship Amount:
  Stipend $7,000.00
  Tuition $8,264.00
  Total Fellowship $15,264.00 (A)

Less:
  Non-taxable costs:
    Tuition $8,264.00
    Bookstore Charges $700.00
  Mandatory Fees:
    Student Health Fee $220.00
    Student Center Fee $107.00
  Total Non-taxable $9,291.00 (B)

  Taxable Fellowship Stipend $5,973.00 (C) - NRT
  Non-taxable Fellowship Stipend $1,027.00 (D) - NFN

SUMMARY:
  Total Fellowship $15,264.00 (A)
  Less Non-Taxable Fellowship $9,291.00 (B)
  Taxable Fellowship portion $5,973.00 (C) NRT
  Total Non-Taxable portion $9,291.00 (B)
  Less Tuition $8,264.00
  Non-Taxable portion $1,027.00 (D) NFN

NOTE: The figures above are examples only. The amounts may be different for each student.

*Usually fellowships include a stipend paid to the student and the tuition amount credited to the student’s account. For this purpose, combine the two to determine the total fellowship amount, as some recipients may only receive a portion of their tuition under a partial fellowship, but the full tuition charged to the student may be considered for non-taxable costs of attending school.
Worksheet
Non-Resident Alien Fellowship Recipients
NOT EXEMPT FROM TAXES

Name of Student:_________________________________________ Employee ID:________________

Department:___________________________________________

Year and Semester:_____________________________________

Fellowship Amount: Stipend $___________________

Tuition $________________

Total Fellowship $____________________(A)

Less: Non-Taxable Student Costs for Relevant Semester:

Tuition $________________

Books $________________

Mandatory Fees:

Student Health Fee $________________

Student Center Fee $________________

Lab Fee $________________

Other: $________________

$________________

$________________

Total Non-Taxable $__________________ (B)

Taxable Amount* $___________________ (C)

SUMMARY:

Total Fellowship $_______ (A)

Less Non-Taxable Fellowship $_______ (B)

Taxable Fellowship portion $_______ (C) NRT

Total Non-Taxable portion $_______ (B)

Less Tuition $_______

Non-Taxable portion $_______ (D) NFN
HOW TO PROCESS THE JED:

On JED – Charge (B as noted on previous page) minus the Fellowship tuition amount (A as noted on previous page) to account code 122700 and earnings code NFN. Charge (C as noted on previous page) to account code 122700 and earnings code NRT. The totals should equal the stipend amount of the Fellowship.

Total NFN ($1,027.00) divided by the number of pay period(s) the student is to be paid. This amount should be entered on the JED funding line with an earnings code of NFN. Total NRT ($5,973.00) divided by the number of pay period(s) the student is to be paid. This amount should be entered on the JED funding line with an earnings code of NRT. The NFN and NRT amounts should total the stipend to be paid each semester.

*NOTE: If (C) is a negative number, there is no taxable fellowship amount and the full stipend should be charged to account code 122700 and earnings code FEL.

CC: Payroll Office

Attach copy of this worksheet to JED when processing.