

MEMORANDUM OF UNDERSTANDING
TAX IMPLICATIONS FOR STUDENTS RECEIVING FELLOWSHIPS/TRAINEESHIPS

TO: INTA Summer Internship _____
Fellowship/Traineeship Recipients Month/Day/Year

FROM: Maria Hugee, International Affairs _____
Name of Departmental Representative Title

The Internal Revenue Code has special provisions that address the tax status of fellowships/traineeships. Please note that any tax responsibility under this law belongs to the student. This memorandum is provided to you for general information only. Each recipient is responsible for determining how the tax law applies to his/her particular circumstances. Outlined below are some key points regarding the tax law.

1. A student (U.S. Citizen or Resident Alien) who receives a fellowship/traineeship award for which he/she is not required to perform services (past, present, or future) may exempt the portion of the award that is used for qualified tuition and related expenses (tuition, fees, books, supplies, and other equipment required for courses). Any portion of the award used for other expenses, such as room and board or travel, is considered part of the student=s gross income and must be reported on his/her individual tax return. Because the student has no employment relationship with the Georgia Institute of Technology (the Institute), the Institute is not required to withhold taxes on the taxable portion of the award and has no tax reporting obligation to the Internal Revenue Service (IRS) or the student.
2. A student who receives a fellowship/traineeship award in which the terms of the award states that a certain amount cannot be used for tuition, fees, books, supplies or required equipment for his/her courses (i.e. a certain amount must be used for room, board or anything other than tuition, books supplies or equipment) is responsible for reporting that amount as gross income on his/her individual tax return. Again, because the student has no employment relationship with the Institute, the Institute is not required to withhold taxes on the taxable portion of the award and has no tax-reporting obligation to the IRS or the student.
3. The tax rules applicable to fellowship/traineeship awards made to nonresident alien students differ from those applicable to students who are U.S. citizens or resident aliens. The total amount of a fellowship/traineeship award made to a nonresident alien student that does not represent compensation for services is reportable by the Institute to both the IRS and the student on IRS Form 1042S. The portion of the award that is used for qualified tuition and related expenses is exempt from U.S. tax. The remaining portion of the award is subject to tax and is considered part of the student=s gross income and must be reported on his/her individual tax return. The Institute will withhold tax at the rate of 14% on this taxable portion unless the award is exempt under a tax treaty between the U.S. and the student=s home country. The student must supply the Institute with IRS Form 8233 in order to claim the benefit of a tax treaty.
4. The Institute is responsible for withholding payroll taxes on the portion of a fellowship/traineeship award made to a student (U. S. Citizen, Resident Alien, or Nonresident Alien who is not claiming an exemption under the provisions of a tax treaty) which represents payment for services required to be performed in order to receive the award. The Institute will provide the student with a Form W-2 at year-end, which will report to him/her income earned and taxes withheld. The student is responsible for determining his/her tax liability and filing his/her individual income tax return with the IRS.
5. The portion of a fellowship/traineeship award that constitutes qualified tuition and related expenses is not subject to tax. **Ultimately, it is the student=s responsibility to determine his/her tax liability and file a tax return with the Internal Revenue Service each year.**

MEMORANDUM OF UNDERSTANDING

Fellowship/Traineeship students, please place an X in the appropriate category and sign on the line below. Your signature indicates that you understand your obligation(s) regarding the reporting of your stipend as taxable income on your tax return.

_____ I am a United States Citizen or a Resident Alien, and **I am not required** to perform services to receive my stipend. I understand that I am not a Georgia Institute of Technology employee for payroll tax withholding purposes, and I am not covered by Workers Compensation under Georgia Law. Furthermore, I understand that it is **my responsibility** to determine my tax liability and file my United States tax return with the IRS.

_____ I am a United States Citizen, a Resident Alien, or a Nonresident Alien who is not claiming tax treaty status, and **I am required** to perform services to receive my stipend. I understand that I am a Georgia Institute of Technology employee for payroll tax withholding purposes, and I am covered by Worker=s Compensation under Georgia Law. Furthermore, I understand that I will receive a Form W-2 from my employer which will report my wages earned and taxes withheld for the calendar year. I also understand that it is **my responsibility** to determine my tax liability and file my United States tax return with the IRS.

_____ I am a Nonresident Alien who has received a fellowship/traineeship. I understand that, because I am not a United States Citizen, payments to me are governed by my visa status, United States tax laws, and/or the tax treaty between the United States and my country of residence. In accordance with all of the above, payments made to me may be taxable and may be subject to withholding even if they do not represent compensation for services. Furthermore, I understand that the Institute may issue a Form W-2 or a Form 1042S (or both) annually, and that it is **my responsibility** to file **appropriate tax documents** with the IRS each calendar year.

<p style="color: red; margin: 0;">Printed Name of Student</p>	<p style="color: red; margin: 0;">Georgia Tech Student ID/Social Security#</p>
<p style="color: red; margin: 0;">Signature of Student</p>	<p style="color: red; margin: 0;">Date</p>
<p style="margin: 0;">Signature of Departmental Representative</p>	<p style="margin: 0;">Date</p>
<p style="margin: 0;">Name of Fellowship</p>	<p style="margin: 0;">Account Number</p>