



UNIVERSITY OF
NOTRE DAME

CONTROLLER'S OFFICE

To our Fellowship, Scholarship, Award and Special Payment Recipients:

I am writing you this letter to help you understand the potential tax consequences of your recent payment. The taxability of these monies depends on how you use the enclosed payment amount. "Qualified" scholarships, fellowships or awards payments are not considered taxable income when used by the recipient for 'qualified tuition and related expenses'. Since it is possible that your award will be used for these purposes, the IRS does not require the University to either withhold income tax from the payment or report the payment to you on Form 1099-MISC at the end of this calendar year.

'Qualified tuition and related expenses' generally represents tuition and fees required to enroll or attend a college or university, or fees, books, supplies or equipment required for courses at that school. Any portion of your award used for other types of expenses, such as room and board, travel costs, or other living expenses which are 'non-qualified' is considered taxable income. Typically, stipends awarded for living or travel expense will be taxable. In addition, if the University directly or indirectly pays any other expenses related to this award on your behalf (such as transportation, rent, or other living expenses), these would be considered taxable income as well.

For example, if you receive a \$1,000 award, and spend \$700 on tuition and \$300 on room and board, you would be expected to self-report \$300 as taxable income on your personal income tax return at the end of the year (even though Notre Dame is not sending you a W-2 or Form 1099). If you expect that a portion of this award will be taxable, you should consider consulting with your tax preparer to determine both the taxable portion of the award, and also if it is necessary to make federal and/or state estimated tax payments (which would be due on April 15, June 15, September 15, and January 15 annually).

Finally, if you are a foreign national who is considered a nonresident alien for tax purposes, the University will typically be required to withhold federal and state income tax from our payment to you and to report this payment at year-end on Form 1042-S.

Although the University is unable to provide personal income tax advice, please feel free to contact me (phone-574-631-3288 or email at rkleee@nd.edu) if you have any additional questions regarding the taxable nature of this payment.

Sincerely,

Richard F. Klee Jr., CPA
Tax Director