A scholarship or fellowship grant is tax free only to the extent:

- It does not exceed your qualified education expenses (e.g., tuition, books, required fees); and
- It is not used for personal living expenses (e.g., room, board, transportation); and
- It does not represent payment for services.

**Taxable Scholarship Income Calculation**

Taxable scholarship income is calculated by:

1. Adding up all awards based on U.S. sourced funds. Result is the total award.
2. Adding up tuition, required fees, books, and any other qualified education expenses.
3. Subtracting total qualified expense from total award. Any positive difference is considered taxable income and is subject to tax.

U.S. tax law requires CSU to withhold income tax from Nonresident Alien taxpayers. The federal tax rate applied is 14% from the taxable amount.

IRS Notice 87-31 provides that non-qualified (taxable) scholarship/fellowship payments made to U.S. taxpayers (U.S. Citizens, Permanent Residents, and Resident Aliens) need not be reported on any tax form. *This does not necessarily mean the individual has no reporting responsibility.* The student should consult with their personal income tax advisor for more information.

**Applying for Tax Treaty Benefits**

Residents of certain countries may be entitled to reduced tax rates or exemption from tax withholding under a tax treaty between their country and the U.S. by applying for treaty benefits.

Please contact the Foreign Tax Office (970) 491-3538 or bfs_foreigntax@mail.colostate.edu, for more information.

**Additional Resources**

- IRS Pub 970 Tax Benefits for Education
- IRS Pub 519 U.S. Tax Guide for Aliens

1 Foreign sourced scholarship/fellowship payments made to Nonresident alien taxpayers are not added into taxable scholarship award totals.