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

- It doesn’t exceed your qualified education expenses;
- It isn’t designated or earmarked for other purposes (such as room and board), and doesn’t require (by its terms) that it can’t be used for qualified education expenses; and
- It doesn’t represent payment for teaching, research, or other services required as a condition for receiving the scholarship.

**Taxable Scholarship Income Calculation**

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

CSU uses the following procedure to determine the amounts subject to withholding:

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

IRS Notice 87-31 provides that Non-qualified (taxable) scholarship/fellowship payments made to U.S. persons (U.S. Citizens, Permanent Residents and Resident Aliens) need not be reported on any tax form and that it is the recipient’s responsibility to determine the taxable portion of scholarship/fellowship funds received.

**Applying for Tax Treaty Benefits**

Residents of certain countries may be entitled to reduced tax rates or exemption from tax under a tax treaty between their country and the U.S. by applying for treaty benefits. Please contact the Foreign Tax Office for more information (970) 491-3538 or bfs_foreigntax@mail.colostate.edu.

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\(^1\)Foreign sourced scholarship and fellowship payments made to Nonresident alien taxpayers are not added into potentially taxable scholarship award totals.

*Colorado State University does not provide personal income tax advice or assistance. Parents and students are encouraged to contact their personal income tax advisor or the Internal Revenue Service for guidance, if needed.*