



Accounts Payable, Tax, & Travel

December 7, 2006

Fellow Name
Department
Building

Dear Fellow:

As a fellowship recipient, there are certain IRS rules that affect you. It is important for you to be aware of these rules as you plan the financial aspects of your fellowship. Here is some basic information. According to the IRS, a portion of your fellowship may be subject to income tax.

If you are pursuing a degree, you may exclude from taxable income the part of the fellowship that you use for:

- Tuition and fees required for enrollment or attendance
- Books, supplies, and equipment required for your courses

You may not exclude any part of the fellowship that you use for room and board or personal items. You are required to report that portion on your tax return as taxable income.

The IRS does not allow the University to withhold income tax from your fellowship. Consequently, you may owe tax when you file your tax return. You will not receive a Form W-2 at yearend, but you will receive a letter towards the end of January, which states the amount of your fellowship stipends received during the previous tax year. You may want to make quarterly estimated tax payments to the IRS. The following link provides information about this topic: <http://www.irs.gov/faqs/fag9-3.html>. IRS Publication 970 also has helpful information about scholarships, fellowships and grants. The following link is for publication 970: <http://www.irs.gov/publications/p970/index.html>.

You may also be liable for Indiana State taxes. You can make quarterly estimated payments to the Indiana Department of Revenue on a Form ES-40. This form can be downloaded from the state website at www.in.gov/dor

If I may be of assistance to you, please contact me at the phone number listed below.

Sincerely,

Tammy Carpenter
NRA Tax Administrator
(765)494-1697