



# UNIVERSITY OF NOTRE DAME

## CONTROLLER'S OFFICE

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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 such as yours are not taxed when used by the recipient for qualified tuition and related expenses. Since your award may be used for these purposes, the IRS does not require the University to either withhold taxes or send you a W-2 form or a Form 1099-MISC at the end of this calendar year.

You should be aware that to avoid income taxes, it is important that you use these monies for 'qualified tuition and related expenses'. Generally, this means tuition and fees required to enroll or attend a college or university, or fees, books, supplies or equipment required for courses at that school. *However, using your award for other types of expenses, such as room and board, travel costs, or other living expenses will change this scholarship (or at least the portion related to these non-qualified expenses) from non-taxable to taxable.* 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 (but not reportable by the University) 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 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 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 nonresident alien for tax purposes, we will typically be required to both withhold taxes from our payment to you and 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-631-3288 or email at [Klee.2@nd.edu](mailto:Klee.2@nd.edu)) if you have any additional questions regarding the taxable nature of this payment.

Sincerely,

Richard F. Klee Jr., CPA  
Tax Director