

Taxability of scholarships and grants in 2011

The Tax Reform Act of 1986 specifies that scholarship amounts granted ... for expenses incurred ... are taxable income, if the aggregate scholarship ... amounts ... exceed tuition and fees (not including room and board), books, supplies, and equipment required for courses of instruction at [an eligible] institution.

Any *general* scholarship or grant aid that is received in a calendar year may be regarded as first applying toward excludable expenses (i.e., tuition, required fees, and required books, supplies, and equipment) even though family resources, loans, or student employment may in fact have initially paid those expenses. You should retain records (e.g., copies of relevant bills, receipts, checks) to document your excludable expenses. If you receive general scholarship or grant aid in excess of the cost of tuition, fees, and books, the excess amount is taxable. In addition, *specific* scholarships or grants (e.g., health insurance grants) that are directed toward expenses other than tuition, fees, and books are subject to taxation.

Other forms of financial aid — loans and student employment — are not covered by these provisions of the tax law. ***Earnings from student employment, of course, are taxable as wages, as is any summer stipend you may have received from the college.*** If you had any campus earnings during 2011, a W-2 form was issued by the Williams College payroll department and is available to download from your PeopleSoft account. If you had a taxable summer stipend, a 1099 was issued by the Williams College Controller's Office.

The following worksheet will help you determine the amount of taxable scholarship or grant aid you may have received in 2011. Note that the terms referred to are for the spring and fall semesters of 2011, not the fall and spring semesters of 2011-12. If you no longer have copies of your award notice(s) that cover these periods, you can view (and print) them from your PeopleSoft account (Finances > View Financial Aid).

Also note that the information used in preparing Form 1098-T, related to tuition tax credits, is for billed tuition and scholarship and grant aid applied to your student account during calendar year 2011. You should not use Form 1098-T to calculate your taxable scholarship and grant aid.

If you are a United States citizen or permanent resident completing an income tax return and you had taxable scholarship and grant aid, enter the amount of taxable aid to the left of the entry box for "wages, salaries, and tips" with the annotation "SCH" – for example, "SCH \$5,000." Include this amount with your wages, salaries, and tips in your entry for line 1 in Form 1040EZ or line 7 in either Form 1040A or Form 1040.

For further information, you may find IRS publication 970, *Tax Benefits for Education*, useful. Information, forms, and publications are also available from the IRS Web site, www.irs.gov, or by calling 800-829-3676. In addition, the IRS has a toll-free number, 800-829-1040, to provide help in completing tax returns.

**WORKSHEET FOR CALCULATING
TAXABLE SCHOLARSHIPS OR GRANTS
Williams College — Office of Financial Aid**

	<i>Spring Semester 2011</i>	<i>Fall Semester 2011</i>
Scholarships or grants subject to tax exclusion		
Williams College Scholarship	\$ _____	\$ _____
Federal Pell Grant	+ _____	+ _____
Federal SEOG	+ _____	+ _____
Federal ACG or SMART Grant	+ _____	+ _____
State scholarship or grant	+ _____	+ _____
“Outside” scholarship	+ _____	+ _____
Parent’s tuition benefit (See <i>note 1</i>)	+ _____	+ _____
 A. TOTAL	 \$ _____	 \$ _____
Excludable expenses		
Tuition (See <i>note 2</i>)	\$ 20,595	\$ 21,469
Fees (See <i>note 3</i>)	+ 122	+ 126
Books and supplies (See <i>note 4</i>)	+ _____	+ _____
 B. TOTAL	 \$ _____	 \$ _____
Scholarships or grants NOT eligible for tax exclusion		
C. Excess scholarships or grants		
<i>(If Total A exceeds Total B, enter Total A minus Total B)</i>		
	\$ _____	\$ _____
Williams Health Insurance Grant (See <i>note 5</i>)	+ _____	+ _____
 D. TOTAL	 \$ _____	 \$ _____
E. TOTAL TAXABLE SCHOLARSHIPS AND GRANTS		
<i>(Add together the two Total D figures)</i>		
Enter this amount on your 2011 income tax return		\$ _____

Notes

1. Include only if the tuition benefit received is not taxable to your parent.
2. If you were not on campus but were enrolled in a study away program, enter the appropriate amount of tuition (exclude room and board).
3. If you were not on campus but were enrolled in a study away program, enter the appropriate amount of required fees.
4. Include only expenses for books and supplies required for your courses but **not** covered by your Williams Book Grant.
5. Williams Health Insurance Grant is taxable in **all** cases.