

Taxability of Scholarships and Grants in 2020

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 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 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 are taxable as wages, as is any summer stipend you may have received from the college.** If you had any campus earnings during 2020, a W-2 form will be issued to you by Williams College Human Resources and is available to download from ephr.williams.edu account. If you had a taxable summer stipend, a 1099 form will be issued to you by the Williams College Controller.

The following worksheet will help you determine the amount of taxable scholarship or grant that you may have received in 2020. **The academic terms referenced in the worksheet are for the spring and fall semesters of 2020 (the calendar year), not the fall and spring semesters of 2020-21 (this academic year).** If you no longer have copies of your award notice(s) that cover these periods, you can view (and print) them from your Williams Student Records account: Finances > View Financial Aid > select Aid Year 2020 to view the spring 2020 grants/scholarships and Aid Year 2021 to view the fall 2020 grants/scholarships.

Of note, the IRS Form 1098-T is designed to primarily report payments, scholarships, and grants applied to qualified charges that were posted to your student account during calendar year 2020. Form 1098-T does not contain complete information required to calculate the amount of your taxable scholarships and grants; therefore, we do not recommend using your 1098-T to make this calculation.

If you are a United States citizen or permanent resident completing an income tax return and you had taxable scholarships and grants, 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 on Form 1040 Line 1.

For further information, you may find IRS publication 970, *Tax Benefits for Education*, useful. Information, forms, and publications are also available from the IRS website (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.

Request for Reimbursement

Williams College will reimburse any current student for the amount of federal tax liability generated by their taxable scholarships and grants. Students interested in reimbursement should schedule an appointment with their SFS advisor. Upload the following worksheet and a copy of your signed and dated 2020 federal income tax return to Student Financial Services via our secure document upload tool (<https://finaid.williams.edu/document-upload/>). The deadline to submit a request is the last day of classes immediately following the applicable tax year’s April filing deadline.

**WORKSHEET FOR CALCULATING
TAXABLE SCHOLARSHIPS AND GRANTS
Williams College Student Financial Services
Calendar Year 2020**

	<i>Spring Semester 2020</i>	<i>Fall Semester 2020</i>
Scholarships or grants subject to tax exclusion		
Williams College Scholarship/Grant	\$ _____	\$ _____
Federal Pell Grant	+ _____	+ _____
Federal SEOG	+ _____	+ _____
State scholarship or grant	+ _____	+ _____
"Outside" scholarship(s)	+ _____	+ _____
Parent's tuition benefit (See note 1)	+ _____	+ _____
A. TOTAL	\$ _____	\$ _____
Excludable expenses		
Tuition (See note 2)	\$ 28,485	\$ 25,225
Fees (See note 3)	+ 155	+ 0
Books and supplies (See note 4)	+ _____	+ _____
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; otherwise, enter \$0.</i>	\$ _____	\$ _____
Williams Health Insurance Grant (See note 5)	+ _____	+ _____
D. TOTAL	\$ _____	\$ _____
E. TOTAL TAXABLE SCHOLARSHIPS AND GRANTS <i>Enter the sum of total D for Spring 2020 and Fall 2020. If the sum is greater than \$0, enter it on your 2020 income tax return with the "SCH" notation and dollar amount.</i>		\$ _____

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.