



## INVESTMENT & TAX SERVICES

January 14, 2005

### Scholarships & Fellowships

The tax treatment of scholarships, fellowships and grants can vary greatly based on provisions of the grant, how the proceeds are used, the status of the recipient, and whether the recipient is required to perform services in return for the award.

Generally, the amount of a qualified scholarship is not included in the income of the recipient for tax purposes if the recipient is a candidate for a degree at an appropriate educational institution. In order to be considered a qualified scholarship, the amount received must be used for qualified tuition and related expenses, in accordance with the terms of the scholarship, fellowship or grant.

However, if the recipient must render current or future services as a condition of the scholarship, then the portion that represents payment for such services should not be excluded from the recipient's income. There are three general questions that should be addressed when determining whether a scholarship award is taxable to the recipient:

1. *Is the payment a qualified scholarship?* If the payment is deemed a qualified scholarship, then such amounts should not be included in the recipient's income. If not, then the amounts could be included in the recipient's income but the university need not report these amounts as wages unless the scholarship constitutes compensation for services.
2. *Is the payment compensation for services?* Even if amounts are considered a qualified scholarship, the university must determine whether any portion of the amount constitutes payments for services (current or future). To the extent an amount constitutes payments for services, the recipient should include the amount in his or her income.
3. *What reporting and recordkeeping requirements does the university have?* The university could have a withholding obligation and duty to report amounts constituting payment for services (compensation). Additionally, a recipient may want to retain records to substantiate any fellowship or scholarship amount not included in income. Finally, recipients may need to report amounts included in income for the purpose of filing an individual tax return.

Student Financial Services at the University of Virginia helps graduate students with limited funds meet their educational expenses through a variety of programs. The University participates in Title IV federal financial aid programs and we administer student loans and employment programs to eligible graduate students. These federal programs include the Federal Perkins Loan, Federal Stafford Student Loan Program, and Federal Work-Study.

All fellowships, assistantships, and other grants and scholarship awards available to graduate students are administered by the various University departments or schools. Students seeking aid should apply

directly to their department or school for assistance before considering federal financial aid programs and private alternative loans.

- Graduate students must be enrolled in at least 6 credit and/or research hours to be considered for any federal assistance.
- In general, graduate students may receive up to \$18,500 in Federal Stafford Student Loans (combined subsidized and unsubsidized amounts) during the award period.
- Providing funding is available, graduate students may also receive a Federal Work-Study award and/or up to \$6,000 in a Federal Perkins Loan during the award period.
- Students who require additional financial assistance through private loan programs are encouraged to contact the office for specific information.
- Please note that the total of all financial assistance cannot exceed the estimated cost of attendance.
- NOTE: Students enrolled in the Teacher Education Degree Program (TEDS) are considered graduate students during their fifth year of enrollment.

## **University Grants & Scholarships**

The University offers a number of privately endowed need-based scholarship and grant funds administered by the Office of Student Financial Services. Most of these awards were established by individuals or foundations and are intended for students who meet specific criteria.

To qualify for any University endowed or restricted scholarships, students must demonstrate outstanding academic achievement, have financial need, and meet all federal and University eligibility requirements. In most instances, students do not need to complete a separate application form but are considered automatically.

Many scholarship awards offered to students are funded by the generous gifts of University benefactors. In addition to financial need and/or academic achievement, a number of scholarships have specific donor requirements that are not easily identifiable. Students awarded a named scholarship will receive written notification of their selection.

**Bayly-Tiffany Scholarship:** For students who are residents of Accomack or Northampton counties in Virginia.

**V. Thomas Forehand, Jr. Scholarship:** For an undergraduate student from the city of Chesapeake, who attended Oscar F. Smith High School, Norfolk Academy, or Nansemond-Suffolk Academy.

**Kaprielian Memorial Scholarship:** For students who are U.S. citizens or registered permanent residents of Armenian descent and who demonstrate financial need.

**John Allen Love Scholarship:** For a deserving undergraduate or graduate student whose home is Missouri. Preference shall be given to applicants who reside in St. Louis or St. Louis County, with first preference to those residing in St. Louis County, and also to those who are enrolled in courses in the Department of Government and Foreign Affairs.

Margaret E. Phillips Scholarship: For deserving students who shall be preparing for and who propose to become ministers of the Protestant Episcopal Church in America.

Charles Fred Wonson Scholarship: For students who are graduates of Robert E. Lee High School in Staunton, Virginia.

Additional scholarship opportunities may be available from various offices and departments throughout the University. Students should contact individual schools, departments, and offices for more information.

## **State Grants & Scholarships**

### *In-State Virginia*

State financial aid grants and scholarships are funded by the Virginia General Assembly and are administered by the Office of Student Financial Services at the University. To be considered for the following state programs, students must meet all State Council of Higher Education for Virginia (SCHEV) requirements.

College Scholarship Assistance Program (CSAP): Awards range from \$400 to \$2,000 per academic year. Preference is given to Pell Grant recipients. Also, the EFC cannot exceed one-half the cost of attendance for the current academic year.

Virginia Commonwealth Awards: Award amount is up to \$3,000 per academic year. Preference is given to Pell Grant recipients.

Virginia Guaranteed Assistance Program (VGAP): Award amount is up to \$5,000 per academic year. Students must have graduated from a Virginia high school, have a cumulative high school grade point average of at least 2.5 on a 4.0 scale, and be classified as a dependent student for federal financial aid purposes. Awards may be renewed for up to three additional years provided that students meet all of the following requirements:

- Maintain continuous full-time enrollment
- Maintain Virginia resident status
- Maintain at least a 2.0 GPA on a 4.0 scale

Virginia Higher Education Teacher Assistance Program: Basic award amount is \$2,000 per academic year. The recipient must enroll or intend to enroll in an eligible K-12 teacher preparation program; have a cumulative college GPA of at least 2.5; and be nominated by faculty members in the Curry School of Education.

Virginia Teaching Scholarship Loan Program: Award amount is up to \$3,000 per academic year. The Curry School of Education nominates third- and fourth-year students enrolled in a state-approved teacher preparation program who have at least a 2.7 cumulative GPA. The Virginia Department of Education selects finalists for the grant awards for up to 100 eligible students. Students are obligated to teach in one of the public schools designated in critical teacher shortage areas in Virginia. For each year of teaching, \$2,000 is forgiven of the total award. Repayment is required if the recipient fails to teach in Virginia.

Virginia War Orphans Education Benefits Program: Under this program, a child of either a deceased veteran or a veteran who is totally disabled from wartime service may receive free tuition to attend a Virginia state-supported institution of higher education. Students who believe they qualify for this program should contact the Division of War Veterans Claims at (540) 857-7104.

Virginia Space Grant Consortium: The VSGC awards scholarships to students pursuing higher education at Virginia Space Grant universities (including U.Va.). There are four award programs and interested students should contact VSGC at (757) 865-0726.

#### *Outside Virginia*

Robert C. Byrd Honors Scholarship: The Byrd Scholarship is awarded to students for their academic achievement and excellence. Recipients may receive up to \$1,500 for their first year, and scholarships are renewable for up to three years. To apply for the scholarship, students should contact the Department of Education in their home state.

DC Tuition Assistance Grant Program: The D.C. Tuition Assistance Grant Program (DC TAG) is available to students who are residents of Washington, DC, enrolled in participating colleges throughout the United States. The program pays the difference between in-state and out-of-state tuition up to \$10,000 per academic year, with an aggregate total of \$50,000 per student. Eligible DC students who attend the University of Virginia may receive up to \$10,000 per academic year. The amount of the DC TAG is not based on financial need. However, in some cases, other assistance students receive may be considered in determining the actual amount of the DC TAG award. Additional information about the application process and eligibility requirements is available on the DC TAG web site.

Students should not overlook scholarships offered by non-institutional sources. Be sure to search scholarship opportunities offered by corporations, labor unions, and organizations affiliated with certain career fields. There are also foundations, fraternities and sororities, and town and city clubs, as well as community and civic groups such as Elks, Kiwanis, Jaycees, and Boy or Girl Scouts

#### **Law and Authority**

Internal Revenue Code section 117