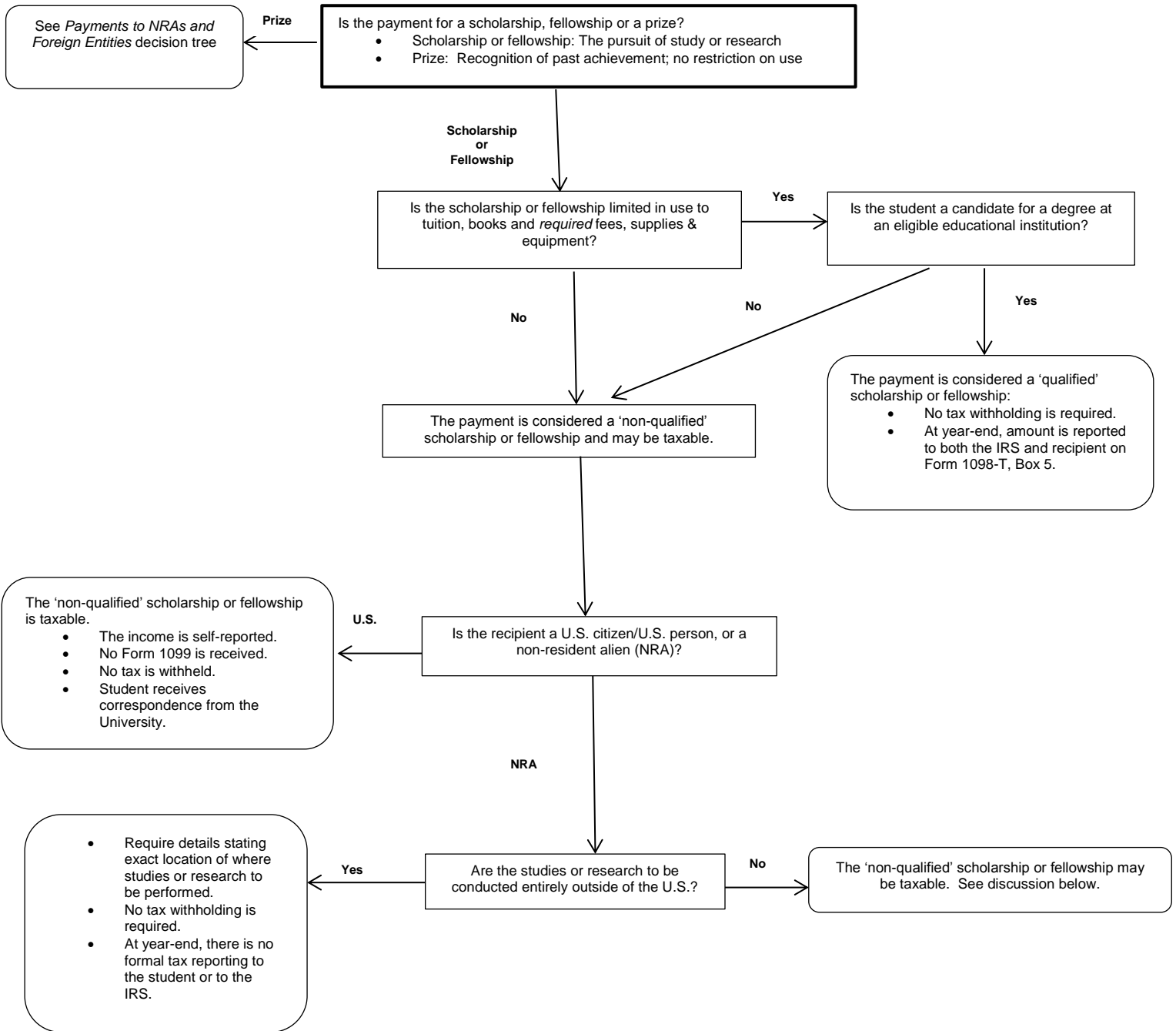


Taxation of Scholarships & Fellowships



Non-Qualified Scholarships & Fellowship Payments to NRAs

Examples: 'Non-qualified' scholarships/fellowships may include payments for room/housing, board/meals, medical, stipends, thesis support, travel, cash, as well as *non-required* fees, books, supplies, and equipment.

Visas: This documentation is required to determine if the student's visa allows for payment.

For application of tax treaty benefits: Require IRS Form 8233. University of San Diego students are required to complete this information with HR 10 days after the student's arrival. If no treaty benefits are available, and the student does not have an F1, J1, M1, or Q Visa, then 30% taxes will be withheld. Also, if the student does not, or will not, complete these forms, then no treaty benefits are available.

For F1, J1, M1 & Q Visas only: Tax withholding will not exceed 14%. Treaty benefits may also be available.

Sourcing Rules: Tax withholding only applies to U.S. source income. If the University is serving as the paying agent for a foreign grantor located outside of the U.S., then the University is not required to withhold tax.

IRS Form 1042-S: University of San Diego will provide each year to NRA students who receive a taxable scholarship or fellowship.