



Finance Office

Hughes Administration 328  
5998 Alcalá Park  
San Diego, CA 92110-2492  
P: (619) 260-5998  
F: (619) 260-4813

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To our Fellowship, Scholarship, Grant and Award Recipients:

Congratulations on receiving a University award. We are writing this letter to inform you of the potential tax consequences of your recent payment. The taxability of this payment is dependent on how you use the funds that have been disbursed to you.

Under the current tax laws, funds received through a scholarship, fellowship, or grant are not taxed when used by the recipient for “qualified tuition and related expenses”. This means that you can exclude the funds from your income for tax purposes if you use the funds for tuition and fees required for enrollment or attendance at a college or university, or for fees, books, supplies or equipment required for courses at the school. However, if you use the funds, or a portion thereof, for “non-qualified expenses”, such as room and board, travel, living expenses, or supplies or equipment not required for courses at the school, then you may have to include the funds in your income for tax purposes.

For example, if you receive a \$1,000 award, and spend \$700 on “qualified tuition and related expenses” and \$300 on “non-qualified expenses”, you would be expected to report \$300 as taxable income on your personal income tax return at the end of the year, even though the University did not provide you with an Internal Revenue Service (IRS) Form W-2 or 1099.

Per IRS guidance, the payor of a taxable scholarship is not required to withhold income tax and is not required to report the payment either to the award recipient or the IRS. This “no withholding/reporting” rule only applies to non-compensatory scholarship/fellowship payments. Please be aware that the University follows this “no withholding/reporting” rule. As a result, it is your responsibility to maintain records and properly report all non-qualified scholarships received as income on your tax return regardless of the fact that the University will not report the payment to you or the IRS.

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. You also may find IRS Pub. No. 970, Tax Benefits for Education, helpful with regard to the tax treatment of the scholarship amount you received.

Although the University is unable to provide income tax advice, if you have any additional questions regarding the taxable nature of this payment, please feel free to contact the Finance Office at [finance@sandiego.edu](mailto:finance@sandiego.edu).