**Scholarships/Fellowships & Taxes**

Scholarships or fellowships paid from a U.S. source (eg. IU or other government agency) may be taxable to the student. When the total award received by the student is greater than the required tuition, fees and books - [qualified expenses](https://controller.iu.edu/services/students/1098-t/qualified-expenses) as defined by the IRS - the balance is taxable to the student. Foreign sourced fellowships or scholarships are paid with funds from the foreign visitor’s country of residence and are not subject to U.S. income tax.

**Tax Withholding Calculation in Bursar Account**

Tax law requires IU to withhold from any individual with an F, J, M or Q visa. The tax rate applied is 14% federal and 3.23% Indiana income tax from this taxable balance. IU uses the following procedure to determine the amounts subject to withholding:

1. Add up all awards based on US (including IU) funds.  Result is the total award.
2. Add up tuition and mandatory fees paid along with a book allowance of $750. The result is total qualified expenses.
3. Subtract total qualified expense from total award.  Any positive difference is considered taxable income and subject to tax.

The tax withholding charges are posted daily to the students bursar account. Any change in scholarship/fellowship or qualified expenses paid may result in an increase or decrease of the taxes withheld.

**Applying for Tax Treaty Benefits**

Residents of certain countries may be entitled to reduced tax rates or exemption from tax under a tax treaty between their country and the U.S by applying for treaty benefits. Click the link for more information.

* [Apply for Tax treaty benefits](https://controller.iu.edu/services/employees/taxes/tax-treaty-benefits" \o "Tax Treaty)