



AMHERST COLLEGE
Office of Financial Aid

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MEMORANDUM

DATE: January 2019

TO: All recipients of scholarships and grants in 2018

RE: Taxability of scholarships and grants

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 aid 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 aid 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 scholarships, dean's discretionary 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, of course, are taxable as wages.

If you are a United States citizen or permanent resident completing an income tax return and you had taxable scholarship and grant aid, 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 in your entry for line 1 in Form 1040EZ or line 7 in either Form 1040A or Form 1040. If you have tax liability resulting from taxable scholarship and grant aid, provide a copy of your tax return to the Office of Financial Aid. We will provide a dean's discretionary grant to reimburse you for taxes attributed to your scholarship and grant aid from college, federal, and state sources. Note that the dean's discretionary grant itself will be taxable in the following tax year.

A worksheet accompanying this memorandum will help you determine the amount of taxable scholarship or grant aid you may have received in 2018. **Note that the terms referred to are for the spring and fall semesters of calendar year 2018, not the fall and spring semesters of the 2018-19 academic year.**

Also note that the information used in preparing Form 1098-T, related to tuition tax credits, is for billed tuition and scholarship and grant aid applied to your student account during *calendar year 2018*. You should not use Form 1098-T to calculate your taxable scholarship and grant aid.

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

WORKSHEET FOR CALCULATING TAXABLE SCHOLARSHIPS OR GRANTS

AMHERST COLLEGE — Office of Financial Aid

| | Spring Semester 2018 | Fall Semester 2018 |
|--|-------------------------|-----------------------|
| Scholarships or grants subject to exclusion | | |
| Amherst College Scholarship | \$ _____ | \$ _____ |
| Amherst College Scholarship — Music | + _____ | + _____ |
| Federal Pell Grant | + _____ | + _____ |
| Federal Supplemental Educational Opportunity Grant | + _____ | + _____ |
| Federal Academic Competitiveness or SMART Grant | + _____ | + _____ |
| State scholarship or grant | + _____ | + _____ |
| “Outside” scholarship | + _____ | + _____ |
| Parent’s tuition grant-in-aid <i>(See note 1.)</i> | + _____ | + _____ |
| | _____ | _____ |
| A. TOTAL | \$ _____ | \$ _____ |
| Excludable expenses | | |
| Tuition <i>(See note 2.)</i> | \$ 26,715 | \$ 27,760 |
| Fees <i>(See note 3.)</i> | + 440 | + 453 |
| Books and supplies <i>(See note 4.)</i> | + _____ | + _____ |
| | _____ | _____ |
| B. TOTAL | \$ _____ | \$ _____ |
| Scholarships or grants NOT subject to exclusion | | |
| C. Excess scholarships or grants <i>(If Total A exceeds Total B enter Total A minus Total B.)</i> | \$ _____ | \$ _____ |
| Amherst College Scholarship — Health <i>(See note 5.)</i> | + _____ | + _____ |
| Dean’s Discretionary Grant <i>(See note 5.)</i> | + _____ | + _____ |
| | _____ | _____ |
| D. TOTAL | \$ _____ | \$ _____ |
| E. TOTAL TAXABLE SCHOLARSHIPS AND GRANTS <i>(Add together the two Total D figures.)</i> | | \$ _____ |

Notes

1. Include only if the tuition grant-in-aid is not taxable to your parent.
2. (a) If you were enrolled in music course work that required additional tuition, revise the appropriate semester’s figure to include the additional tuition.
(b) If you were on a domestic exchange or study abroad, enter the appropriate amount of tuition (exclude room and board).
3. (a) If you were at Amherst but lived off-campus in the spring 2018 semester, change the spring semester figure to \$380 to exclude residential life fees. If you lived off-campus in the fall 2018 semester, change the fall semester figure to \$393 to exclude residential life fees.
(b) If you were on domestic exchange or study abroad, enter the appropriate amount of required fees.
4. Include only expenses for books and supplies required for your courses.
5. Amherst College Health Scholarships and Dean’s Discretionary Grants are taxable in **all** cases.