

January 2023

WHO: All recipients of scholarships and grants in 2022

WHAT: Taxability of scholarships and grants

WHY:

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.

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)

You should retain records (e.g., copies of relevant bills, receipts, checks) to document your excludable expenses. 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.

HOW:

A worksheet accompanying this memorandum will help you determine the amount of taxable scholarship or grant aid you may have received in 2022. **Note that the terms referred to are for the spring and fall semesters of calendar year 2022, not the fall and spring semesters of the 2022-23 academic year.**

USING TURBO TAX? NOTE: if you will be using a tax preparation software --- DO NOT enter the figures from the 1098T form – the result will be incorrect figures – the software is designed to calculate tax credits based on what you paid, it is not designed to determine the excess scholarship that is a taxable.

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 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.

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 2021*. 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 2022	Fall Semester 2022
Scholarships or grants subject to exclusion		
Amherst College Scholarship	\$ _____	\$ _____
Amherst College Scholarship — Music	+ _____	+ _____
Federal Pell Grant	+ _____	+ _____
Federal Supplemental Educational Opportunity Grant + _____	+ _____	+ _____
State scholarship or grant	+ _____	+ _____
“Outside” scholarship	+ _____	+ _____
Parent’s tuition grant-in-aid <i>(See note 1.)</i>	+ _____	+ _____
	<u>_____</u>	<u>_____</u>
A. TOTAL	\$ _____	\$ _____
Excludable expenses		
Tuition <i>(See note 2.)</i>	\$ 30,350	\$ 31,750
Fees	+ 230	+ 300
Books and supplies <i>(See note 4.)</i>	+ _____	+ _____
	<u>_____</u>	<u>_____</u>
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>	+ _____	+ _____
Summer Science/Humanities/Quantitative Grant	+ _____	+ _____
Access Grant <i>(See note 5.)</i>	+ _____	+ _____
	<u>_____</u>	<u>_____</u>
D. TOTAL	\$ _____	\$ _____
E. TOTAL TAXABLE SCHOLARSHIPS AND GRANTS <i>(Add together the two Total D figures; this figure should match the taxable scholarship on your federal tax return.)</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.
3. (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, Dean’s Discretionary Grants and Access Grants are taxable in **all** cases.