

INFORMATION ABOUT TAX IMPLICATIONS FOR PRIZES AWARDED TO PRINCETON STUDENTS

Tax rules affecting scholarships, fellowships, prizes, and awards generally give rise to tax consequences for prize recipients. *All student prizes* are taxable with the exception of those that are really scholarships and used to pay for “tuition, fees, books, supplies and equipment required for courses of instruction.”

As for prizes that do not come within the scholarship exception, the U.S. Internal Revenue Service (IRS) requires the following:

1. For US citizens and resident aliens, the University must report prizes to the IRS on Form 1099 but does not have to withhold tax. **It is the responsibility of the prize recipient to report the taxable prize payment to the IRS.**
2. For nonresident alien students, the University is required to withhold tax on the prize amount received by the recipient. Prizes are subject to a tax withholding of 30% and are not eligible for a tax treaty exemption.

The payment and any applicable tax withholding will be reported to the IRS and to the student on a Form 1042-S. The University’s Treasurer’s Office will provide students with a copy of this form by March 15, 2017.

If you have any questions, please call Dan Richlin of the Tax Department (ext. 8-1550) or Karen Murphy-Gordon of the Nonresident Tax Compliance and Reporting Team (ext. 8-3734).