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 all recipients. All student prizes, awards, and nonqualified scholarships or fellowships are taxable with the exception of those that are qualified scholarships or fellowships that are used to pay for tuition, fees, books, supplies, and equipment required for courses of instruction.

For prizes, awards, or nonqualified scholarships or fellowships 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 non-resident alien students**, the University may be required to withhold tax on the amount of any prize, scholarship, or fellowship. The amount of tax withholding could vary (up to 30%) depending upon the recipient’s visa status, country of residence, and classification of payment type. A student may be eligible for a reduction in tax withholding or an exemption if he or she is from a country that has a tax treaty with the U.S. The tax treaty must cover the type of payment and the student must be eligible for treaty benefits and have submitted their documents to Princeton University’s Nonresident Tax Compliance and Reporting (NTCR) department.

   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 Office of Finance and Treasury will provide students with a copy of this form by March 15, 2013. If tax is withheld, a student may be eligible to receive a refund for some – or all – of the withheld amount upon filing a U.S. Nonresident Alien Income Tax Return (Form 1040NR-EZ) available on the IRS website (www.irs.gov).

If you have any questions, please contact Dan Richlin, Manager, Tax Compliance (tax@princeton.edu or ext. 8-1550) or Karen Murphy-Gordon, Nonresident Tax Compliance Analyst (ntcr@princeton.edu or ext. 8-3734).