

Scholarship/Fellowship Income Worksheet

You must report all of your income on your tax return, but you are allowed to reduce the amount of income that will be taxed. Foreign students and scholars have two main ways to reduce their taxable income.

1. You may be eligible for a tax treaty exemption; OR
2. You may be able to claim an exclusion of qualified scholarship income. However, you cannot claim both the tax treaty exemption and the scholarship exclusion at the same time. You must choose only one, but you are free to choose the one that reduces your taxes more. This worksheet is meant to help you choose the exemption or exclusion that is better for you.

Please note that the given worksheet is for illustrative purposes *only*. **These instructions are not to replace the official instructions provided by the Internal Revenue Service of the U.S.** For a complete list of forms and publications, go to <http://www.irs.gov/pub/irs-pdf/>. Also, this worksheet is to be used only with forms received from the American Councils. **If you received other forms from other institutions for scholarship/fellowship grants, personal services rendered, or other similar, you might need to refer to the instructions accompanying those forms.** In some cases you will probably need to seek professional advice.

Follow the instructions in Steps 1 through 3 to determine your maximum tax treaty exemption and your maximum scholarship exclusion. Step 4 will help you compare the results and report them properly on Form 1040-NR. Step 5 provides tips on completing the rest of the 1040-NR and 8843 forms.

Look at the Form(s) 1042S you received from the American Councils. There is a number "16" in box 1. This is a code that describes the type of income you received; "16" means your income was from a scholarship or fellowship grant. Use only form(s) 1042S which have "16" in box 1, to figure out the amounts in steps 1, 2 and 3.

Step 1: FIND YOUR SCHOLARSHIP/FELLOWSHIP INCOME

Carefully review the following examples. Pick the one which best describes your case and follow the instructions from that example in calculating of the amount to be placed on the line A.

Line A \$ _____

EXAMPLE 1: Marina received one Form 1042S with "04" in box 3a and amount of \$20,000 in box 2. So Marina enters \$20,000 on the line A.

EXAMPLE 2: Ivan received two Forms 1042S. One form has "04" in box 3a and the amount of \$9,999 in box 2. The second form has "0" in box 3a and the amount of \$3000,00 in box 2. Ivan's total is \$12,999 which he puts on the line A.

EXAMPLE 3: Rustam received one Form 1042S with "0" in box 3a and the amount of \$9,000 in box 2. From the accompanying letter, he found that the amount of his qualified scholarship is \$0. So Rustam enters \$9,000 on the line A.

EXAMPLE 4: Irina received one 1042S form with "0" in box 3a. The amount in box 2 is \$6,000. From the accompanying letter, she found that the amount of her qualified scholarship is \$7,500. Irina's total on the line A is \$13,500.

Step 2: DETERMINE YOUR MAXIMUM TAX TREATY EXEMPTION

The United States has tax treaties with some countries. Under these tax treaties, some scholarship and fellowship grants can be exempt from taxation in the United States. The amount of income that you can exempt depends on the country you are from, and on your reason for being in the United States. Answer these questions to find the amount of scholarship or fellowship income that you may claim as a tax treaty exemption.

i) If you are a citizen of country with "No limit" indicated in the column "Scholarship/Fellowship Exemption (code 16)" in the Addendum below enter the amount from line A on Line B:

ii) If you are a citizen of Armenia, Azerbaijan, Belarus, Georgia, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, or Uzbekistan, the treaty limit is \$9,999. Write the limit on Line B:

iii) If you are from a country with "None" indicated in the column "Scholarship/Fellowship Exemption (code 16)" in the Addendum below then enter 0 on Line B:

Line B \$ _____

iv) Subtract line B from line A and put the total on line C:

Line C \$ _____

v) If line C is less than or equal to \$0, copy the amount from Line A on to Line D.

vi) If line C is more than \$0, copy the amount from line B on to Line D.

Line D \$ _____

Line D is the amount of scholarship or fellowship income that you may exempt from tax under the tax treaty between your home country and the United States.

Step 3: DETERMINE YOUR MAXIMUM QUALIFIED SCHOLARSHIP EXCLUSION

The tax laws of the United States also allow students to exclude "qualified scholarship income" from taxation. Qualified scholarship income is defined as tuition and required fees that are paid by you or by the American Councils on your behalf to the. This type of income can be reported to you in a letter that accompanies Form 1042S.

Write the amount of the qualified scholarship which is mentioned in the letter accompanying Form 1042S on Line E: Line E \$ _____

Line E is the amount of your income that you may exclude from taxation as a qualified scholarship.

Step 4: REPORTING OF INCOME ON FORM 1040-NR

Compare the amount on Line D to the amount on Line E.

i) If Line D is equal to or greater than Line E then:

- Enter the amount from Line C on Line 1b of your Form 1040-NR. If Line C is less than \$0, enter \$0
- Enter the amount from Line D on Line 1c of your Form 1040-NR.
- Enter 0 on Line 10c of your Form 1040-NR.

ii) If Line E is greater than Line D then:

- Deduct Line E from Line A and enter the result on Line 1b of your Form 1040-NR.
- Enter 0 on Line 1c of your Form 1040-NR.
- Enter 0 on Line 10c of your Form 1040-NR.

iii) If both Lines E and D equal to 0 then:

- Enter the amount from Line C on Line 1b of your Form 1040-NR.

Step 5: COMPLETING THE REST OF FORM 1040-NR, Schedule OI AND FORM 8843

i) Complete the calculations on Form 1040-NR by following the instructions to this form. Remember to sign and date the form.

- Do not leave any question blank. Enter "N/A" if the question is not applicable to your situation.
- For question "E", enter "J-1" on the Schedule OI.
- The question "L" on the Schedule OI should be answered in cases when the line D of this Worksheet is greater than the line E. Refer to the enclosed table "Summary of Applicable Income Tax Treaty Articles" for necessary information to answer this question.

ii) Complete Form 8843. Remember to sign and date the form.

iii) **Make copies of all the documents before you mail them to the IRS.**

Addendum

Summary of Applicable Income Tax Treaty Articles

ADDENDUM

Country Scholarship/Fellow- ship Exemption (code 16)	Article Number	Tax Treaty Name	
Afghanistan	None	None	None
Albania	None	None	None
Algeria	None	None	None
Armenia	\$9,999*	6.1	US-CIS
Azerbaijan	\$9,999*	6.1	US-CIS
Bahrain	None	None	None
Bangladesh	No limit	21(2)	US- Bangladesh
Belarus	\$9,999*	6.1	US-CIS
Bosnia and Herze- govina	None	None	None
Brazil	None	None	None
Bulgaria	None	None	None
Cameroon	None	None	None
China	No limit	20 (b)	US-China
Croatia	None	None	None
Cyprus	No limit	21(1)	US- Cyprus
Czech Republic	No limit	21(1)	US- Czech
Egypt	No limit	23.1	US-Egypt
Estonia	No limit	20(1)	US- Estonia
France	No limit	21(1)	US- France
Georgia	\$9,999*	6.1	US-CIS
Germany	No limit	20(3)	US- Germany
Ghana	None	None	None
Iceland	No limit	19(1)	US- Iceland
Hungary	None	None	None
Indonesia	No limit	19(1)	US- Indonesia
Israel	No limit	24(1)	US-Israel
Italy	None	None	None
Jordan	None	None	None
Kazakhstan	No limit	19	US-Kazakhstan
Kenya	None	None	None
Korea, South	No limit	21(1)	US- Korea S
Kosovo	None	None	None
Kuwait	None	None	None
Kyrgyzstan	\$9,999*	6.1	US-CIS
Latvia	No limit	20(1)	US- Latvia
Lebanon	None	None	None
Libya	None	None	None
Lithuania	No limit	20.1	US-Lithuania
Macedonia	None	None	None
Mali	None	None	None
Malaysia	None	None	None
Mexico	None	None	None
Moldova	\$9,999*	6.1	US-CIS
Mongolia	None	None	None
Montenegro	None	None	None

Morocco	No limit	18	US-Morocco
Mozambique	None	None	None
Country	Scholarship/Fellowship Exemption (code 16)	Article Number	Tax Treaty Name
Nepal	None	None	None
Netherlands	No limit	22 (2)	US-Netherlands
Nigeria	None	None	None
Norway	No limit	16 (1)	US-Norway
Oman	None	None	None
Pakistan	None	None	None
Pakistan * income code 20	\$10,000	XIII(3)	US-Pakistan
Palestinian Territories	None	None	None
Philippines	No limit	22(1)	US-Philippines
Poland	No limit	18.1	US-Poland
Portugal	No limit	23 (1)	US-Portugal
Romania	No limit	20(1)	US- Romania
Russia	No limit	18	US-Russia
Saudi Arabia	None	None	None
Senegal	None	None	None
Serbia	None	None	None
Sierra Leone	None	None	None
Slovak Republic	No limit	21(1)	US-Slovak Republic
Slovenia	No limit	20(1)	US-Slovenia
Spain	No limit	22(1)	US-Spain
Suriname	None	None	None
Tajikistan	\$9,999*	6.1	US-CIS
Tanzania	None	None	None
Thailand	No limit	22(1)	US-Thailand
Trinidad and Tobago	No limit	19(1)	US-Trinidad and Tobago
Tunisia	No limit	20	US-Tunisia
Turkey	None	None	None
Turkmenistan	\$9,999*	6.1	US-CIS
Ukraine	No limit	20	US-Ukraine
United Arab Emirates	None	None	None
Uruguay	None	None	None
Uzbekistan	\$9,999*	6.1	US-CIS
Venezuela	No limit	21(1)	US-Venezuela
Yemen	None	None	None

*Amount includes tuition and required registration fees.