

Dear Student Recipient of Scholarships or Fellowships:

According to our records, you have received a scholarship or fellowship through William & Mary. This term encompasses grants, honoraria, awards, internships, waivers, and other forms of "gift aid," which typically do not require repayment. We feel it is our responsibility to inform you about the general tax treatment of these amounts.

Generally, under tax laws, you do not have to pay taxes on a scholarship or fellowship if the funds are used for tuition, fees, books, and equipment required for your classes or enrollment. The extent to which you use the funds for these qualified expenses will determine how much can be excluded from your taxable income. However, any portion of the award used for incidental expenses, such as room and board, may be included in your taxable income for the year.

You may need to pay income taxes on the portion of the award spent on travel, research, and medical insurance. For more information on the tax treatment of scholarships and fellowships, please refer to **IRS Publication 970** (Tax Benefits for Education), available on the IRS website at <http://www.irs.gov/formspubs/index.html>.

It is important to determine whether a scholarship or fellowship is taxable based on your individual circumstances and considering all scholarships or fellowships you have received. If you determine that a portion of the funds is not subject to tax, retain receipts, canceled checks, and other documentation to support your qualifying expenses.

Please note that this letter is intended to introduce you to the possible tax implications of your scholarship or fellowship. Since individual tax liability depends on each person's circumstances, you should contact your personal tax advisor with any questions or concerns.

Regards,

Diane Martz, University Controller