



Withholding Requirements on Payments and Awards to International Students

Income tax laws require withholding of federal income tax on certain payments to international students. Exemptions processed for required tuition and fees, including required books and course materials, are exempt from withholding as a “qualified portion” of the scholarship as long as the student is on an F, J, M, or Q visa type. This exemption is provided by Section 117 of the Internal Revenue Code. If the student is (1) enrolled at LSU and (2) is here on an F, J, M, or Q visa, he/she is entitled to a reduced withholding rate of 14% on the “taxable” portion of the scholarship which includes the portion of the exemption that is not for tuition or fees. Taxable exemptions from this category include housing, meal plans, and supplies that are not required in the course syllabus. Cash awards are treated by the University as eligible for reduced withholding since cash awards are “awarded” for a future or continuing educational activity, thereby classifying them scholarships. Cash awards are not considered a “qualified scholarship”. Cash awards made to students are automatically applied to fees charged to students’ accounts. International students receiving exemptions and awards who are not here on visa types F-1, J-1, M-1, or Q-1 are not entitled to exempt withholding, per § 1441 of the Internal Revenue Code and are subject to the full 30% tax liability. Accounts receivable are established on the student’s account for tax liability at the applicable rate.

Following are examples of scholarships, awards and expense reimbursements and their tax implication.

1. A student, regardless of visa type, who receives a fee waiver or an exemption of tuition and/or required fees does not incur liability for taxes as the U.S. income tax laws provide for an exemption for the “qualified portion” of the scholarship.
2. A student on an F-1, J-1, M-1, or Q-1 visa who receives a cash award or an exemption from a fee that is not considered a “qualified portion” of the scholarship, is liable for 14% tax on the amount of the exemption or award. Examples of awards or exemptions falling in this category are meal plan exemption, housing exemptions, exemptions for non-required course supplies, and all cash awards.
3. A student not on an F-1, J-1, M-1, or Q-1 visa who receives a cash award or exemption as defined in 2 above, is liable for 30% tax on the exemption or award.
4. International students receiving reimbursement for costs pertaining to fees associated with printing, copying, and binding of dissertations required for a graduate degree are subject to taxes at either the 14% or 30% rates, depending upon their visa type.