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**To:** Non-resident Alien Scholarship Recipients  
**From:** New Mexico State University - Treasury Services  
**Subject:** U.S. Federal Tax Applicable to Scholarships/Fellowships

Nonresident alien (NRA) individuals are subject to taxation and withholding under different rules than those that apply to U.S. persons. New Mexico State University (NMSU) is required to withhold federal income tax from all payments made to or on the behalf of an NRA (see General Rule below).

**Beginning with the Fall 2016 semester, NMSU will withhold 14 percent tax on non-qualified scholarships issued to NRA students. By March 15<sup>th</sup> of each year, NMSU will review the NRA student account for potential tax treaty benefits that may be applied to previous calendar year scholarships and determine if a refund of any of the tax withholding amount is due to the NRA student. If so determined, this amount will be credited to the student account as a tax withholding refund.**

**General Rule.** General Rule under Section 1441 of the Internal Revenue Code states that as a withholding agent, NMSU is required to withhold federal income tax from all payments made to or on the behalf of an NRA, and Treasury Regulation § 1.1461-2 requires all such payments to be reported to the Internal Revenue Service (IRS). Students who are temporarily present in the United States as a nonimmigrant under subparagraph (F), (J), (M), or (Q) of section 101(a)(15) of the Immigration and Nationality Act are liable for withholding from scholarships to which section 117(a) applies.

For example, scholarships/fellowships are not taxable to the extent they do not exceed the cost of tuition and fees, or course-required expenses (fees, books, supplies, equipment) and the student is a candidate for a degree. These non-taxable amounts are called qualified education expenses and a scholarship used to pay these expenses is referred to a qualified scholarship. Amounts in excess of qualified education expenses are taxable to the student, such as room/board, travel, research, living allowance, etc., and are called non-qualified education expenses. A scholarship used to pay non-qualified education expenses is referred to a non-qualified scholarship.

For U.S. income tax purposes, any non-U.S. citizen is an "alien." The tax laws differentiate between "resident aliens," who are taxed in the same manner as citizens, and "nonresident aliens," who are taxed on a more limited basis. All U.S. permanent residents ("green card holders") are considered resident aliens for tax purposes.

Any alien person who is not a resident alien is, by default, a nonresident alien. For a more detailed explanation of how to determine resident alien or nonresident alien status and of the "substantial presence test," please see <http://www.irs.gov/pub/irs-pdf/p519.pdf>.

Although Treasury Services cannot provide personalized tax guidance, if you have questions regarding this communication, please contact Treasury Services at [treassvcs@nmsu.edu](mailto:treassvcs@nmsu.edu) or at 575-646-1514.