ACADEMIC (MERIT) PRIZES AND AWARDS

Academic prizes and awards are payments made to a nonresident alien and are subject to federal tax withholding. Tax treaties do not generally apply; therefore, 30% of the prize or award payment is withheld for federal taxes. An academic merit award is not considered compensation. As it is granted in recognition of something that has been completed and is not granted to assist in studies or research, and academic merit does not qualify as a scholarship or fellowship, rather as a prize or award.

If the payee is a nonresident alien, a withholding of 30% applies, which must be reported on a 1042-S (unless a tax treaty exemption applies). If the payee is a resident alien, a W-9 should be requested and reported on a 1099-MISC if the 1099 reportable payments are $600 or more for the year. If the payee is a Resident Alien and does not provide a tax ID number on the W-9, a withholding of 28% applies.