

Appendix A: Taxability of Payments

The taxability of payments depends on the payment type (employee fellow compensation vs nonemployee fellowship stipend) and the U.S. tax status of the recipient. See [Fellowship Payments and Reimbursements for Students and Nonemployee Postdocs/Fellows](#).

U.S. tax residents

- Employee fellow compensation/salary and wages is fully taxable for income tax purposes, and is also generally subject to tax withholding. The University is required to withhold and remit taxes on the employees' behalf.
- Nonemployee fellowship payments are generally included in gross income (taxable) to U.S. tax residents for income tax purposes; however, they are not subject to tax withholding. This means the University does not report or withhold tax from fellowship payments made to U.S. tax residents. U.S. tax residents receiving fellowship payments are responsible for making quarterly estimated federal and state income tax payments, if needed.

Nonresident aliens / foreign nationals

Employee fellow compensation/salary and wages as well as nonemployee fellowship payments within the United States are generally taxable income to nonresident alien recipients and the payments are subject to withholding. See [Nonresident Alien Tax Compliance](#). Proper classification of payments to nonresident aliens is critical, as the rate of withholding and potential eligibility for treaty benefits varies on the type of payment. The location of the activity (whether inside the U.S. or outside the U.S.) also affects taxability and withholding. Individuals working outside the United States may have additional restrictions and may be also be subject to tax and withholding requirements of that country.

	U.S. Employee Compensation/Salary & Wages	U.S. Nonemployee Fellowship/Stipend
U.S. Tax Residents	<ul style="list-style-type: none"> • Harvard is required to report payments to the IRS and to the recipient on Form W-2 • Subject to federal and state income tax withholding and also Social Security and Medicare (FICA) tax withholding 	<ul style="list-style-type: none"> • Harvard is not required to report payments to the IRS or to the recipient • No withholding is required • Recipient must self-report as gross income
Nonresident Aliens	<ul style="list-style-type: none"> • Harvard is required to report payments to the IRS and to the recipient on Form 1042-S if a tax treaty applies or Form W-2 if no tax treaty applies • Withholding is required (usually at 14% or 30%) but may be reduced by tax treaties if available 	<ul style="list-style-type: none"> • Harvard is required to report payments to the IRS and to the recipient on Form 1042-S • Withholding is required (usually at 14% or 30%) but may be reduced by tax treaties if available