

Internal Revenue Code

Sec. 117(b)

Income Tax—Scholarships

2951

[Sec. 117]

SEC. 117. SCHOLARSHIPS AND FELLOWSHIP GRANTS.(a) **GENERAL RULE.**—In the case of an individual, gross income does not include—

(1) any amount received—

(A) as a scholarship at an educational institution (as defined in section 151 (c) (4)), or

(B) as a fellowship grant, including the value of contributed services and accommodations; and

(2) any amount received to cover expenses for—

(A) travel,

(B) research,

(C) clerical help, or

(D) equipment,

which are incident to such a scholarship or to a fellowship grant, but only to the extent that the amount is so expended by the recipient.

Source: New.

[Sec. 117(c)]

(b) **LIMITATIONS.**—(1) **INDIVIDUALS WHO ARE CANDIDATES FOR DEGREES.**—In the case of an individual who is a candidate for a degree at an educational institution (as defined in section 151 (c) (4)), subsection (a) shall not apply to that portion of any amount received which represents payment for teaching, research, or other services in the nature of part-time employment required as a condition to receiving the scholarship or the fellowship grant. If teaching, research, or other services are required of all candidates (whether or not recipients of scholarships or fellowship grants) for a particular degree as a condition to receiving such degree, such teaching, research, or other services shall not be regarded as part-time employment within the meaning of this paragraph.(2) **INDIVIDUALS WHO ARE NOT CANDIDATES FOR DEGREES.**—In the case of an individual who is not a candidate for a degree at an educational institution (as defined in section 151 (c) (4)), subsection (a) shall apply only if the condition in subparagraph (A) is satisfied and then only within the limitations provided in subparagraph (B).(A) **CONDITIONS FOR EXCLUSION.**—The grantor of the scholarship or fellowship grant is—

(i) an organization described in section 501(c)(3) which is exempt from tax under section 501(a),

(ii) a foreign government,

(iii) an international organization, or a binational or multinational educational and cultural foundation or commission created or continued pursuant to the Mutual Educational and Cultural Exchange Act of 1961, or

(iv) the United States, or an instrumentality or agency thereof, or a State, a territory, or a possession of the United States, or any political subdivision thereof, or the District of Columbia.