



Foundation for Health Leadership & Innovation

Moving people and ideas into action.

The Foundation for Health Leadership & Innovation (FHLI) follows the IRS rules regarding payments to non-employees. If you are not an employee of FHLI and are paid for services and/or expense reimbursements, you will be issued a 1099 form at year end. The 1099 form will show all payments made to you in total. Along with the 1099 form, you should keep any expense receipts to use to file your income tax returns. Please seek the advice of your tax preparer when including the income and expenses.

See the following explanations for additional information from the IRS website.

Box 1. Nonemployee Compensation

Enter nonemployee compensation (NEC) of \$600 or more. Include fees, commissions, prizes and awards for services performed as a nonemployee, and other forms of compensation for services performed for your trade or business by an individual who is not your employee. Include oil and gas payments for a working interest, whether or not services are performed. Also include expenses incurred for the use of an entertainment facility that you treat as compensation to a non-employee. Federal executive agencies that make payments to vendors for services, including payments to corporations, must report the payments in this box. See Rev. Rul. 2003-66.

What is NEC? If the following four conditions are met, you must generally report a payment as NEC.

- You made the payment to someone who is not your employee.
- You made the payment for services in the course of your trade or business (including government agencies and nonprofit organizations).
- You made the payment to an individual, partnership, estate, or, in some cases, a corporation.
- You made payments to the payee of at least \$600 during the year.

Topic no. 421, Scholarships, fellowship grants, and other grants

<https://www.irs.gov/taxtopics/tc421>

A scholarship is generally an amount paid or allowed to, or for the benefit of, a student at an educational institution for the purpose of study. A fellowship grant is generally an amount paid for the benefit of an individual to aid in the pursuit of study or research. Other types of grants include need-based grants (such as Pell Grants) and Fulbright grants.

Tax-free

If you receive a scholarship, a fellowship grant, or other grant, all or part of the amounts you receive may be tax-free. Scholarships, fellowship grants, and other grants are tax-free if you meet the following conditions:

- You're a candidate for a degree at an educational institution whose primary function is the presentation of formal instruction and that maintains a regular faculty and curriculum and normally has a regularly enrolled body of students in attendance at the place where it carries on its educational activities; and
- The amounts you receive are used to pay for tuition and fees required for enrollment or attendance at the educational institution, or for fees, books, supplies, and equipment required for courses at the educational institution.

Taxable

You must include in gross income:

- Amounts used for incidental expenses, such as room and board, travel, and optional equipment.



- Amounts received as payments for teaching, research, or other services required as a condition for receiving the scholarship or fellowship grant.
 - However, you don't need to include in gross income any amounts you receive as part of any scholarship or fellowship grant for services that are required by the National Health Service Corps Scholarship Program, the Armed Forces Health Professions Scholarship and Financial Assistance Program, or a comprehensive student work-learning-service program (as defined in section 448(e) of the Higher Education Act of 1965) operated by a work college.