
CLIP Tax Guidance

What is a scholarship?

Your CLIP stipend is a scholarship, which [Oxford Dictionaries](#) defines as money awarded to a person for educational purposes.

What are taxes?

[Investopedia](#) defines taxes as money the government collects to pay for government services. These services include public school education, maintaining roads, etc.

How are scholarships treated for tax purposes?

According to [Cornell Law School](#), scholarships are split into two categories for tax purposes: qualified and non-qualified. A qualified scholarship is money awarded to pay for tuition, books, or other school expenses. Qualified scholarships are tax-exempt, meaning the recipient does not have to pay taxes on their scholarship funds.

A [non-qualified scholarship](#) is money given to a person for educational expenses that do not meet the criteria of a qualified scholarship. Examples of non-qualified scholarship expenses are travel, research, and boarding costs. A non-qualified scholarship is not tax-exempt, meaning the recipient may have to pay taxes on the money they receive.

Your CLIP stipend is considered a non-qualified scholarship.

What is taxable income?

According to [Investopedia](#), taxable income is money received that is subject to taxes. There are two categories of taxable income: earned and unearned.

- [Investopedia](#) defines **earned taxable income** as money you receive in exchange for your work at a business (wages) or money you made working for yourself.

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- [Investopedia](#) defines **unearned taxable income** as money you receive that you did not earn through working. Some examples of this are gambling winnings, inheritance, or money made from investments.

Depending on how much money a person receives as income, and whether it was earned or unearned, the government will require payment of a certain percentage of their income as taxes.

Is my income from Character Lab earned or unearned income?

According to [The Tax Adviser](#), scholarships for expenses other than tuition and other school-related costs are considered unearned income. Thus, your scholarship from Character Lab is regarded as unearned income.

Is the scholarship I received from Character Lab taxable?

Yes. According to [Cornell Law School](#), all non-qualified scholarships are taxable.

How will I know my scholarship amount from Character Lab?

Although we are not required to report scholarships to the IRS or to students, Character Lab will send you an income letter listing how much money you received for your participation in the CLIP program in the previous calendar year.

Has Character Lab withheld money from my stipends for taxes?

No. Your income from Character Lab is a scholarship, so tax withholding is not required.

Do I need to file taxes on the money I receive from Character Lab?

According to [Investopedia](#), if you've made more than \$1,100 in unearned income in the past year, either from the CLIP program or other sources, you will need to file taxes.

How do I file taxes?

In most cases, your parents/guardians will file taxes and claim you as their dependent. Simply give your parents/guardians your Character Lab income letter to include in their paperwork. If you want to file your taxes separately from your parents or guardians, you can file on the [IRS website](#).

What is the difference between filing taxes and paying taxes?

Filing taxes does not necessarily mean you will have to pay taxes. According to [Investopedia](#), filing taxes is when a person reports their income to the government. Sometimes money is owed; sometimes money is not owed – or the person may even be eligible for a refund. If the person filing taxes owes money, the taxes are paid when the government collects the money.

What is the deadline for filing taxes?

You can file taxes with the IRS (Internal Revenue Service), the government organization which collects taxes, typically between February 1st and April 15th. However, the official filing deadline may change depending on weekends and unforeseen circumstances (COVID, etc.). You can find the most updated information on the IRS website [linked here](#).

If you have specific questions about your situation, please contact a tax professional. You can find a list of free tax professionals who can help you out [here](#).

You will also file state and local taxes when you file federal taxes.