***The President’s Engagement Prizes***

**Notes on the Disbursement, Use, and Tax Reporting of Prize Funds**

***The University of Pennsylvania does not provide specific tax advice to individuals. Prize recipients are strongly encouraged to consult with a professional tax advisor of their choice to advise them on the tax implications of receiving and expending President’s Engagement Prize funds.***

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**DISBURSEMENT:** Prize funds will be disbursed in separate payments, respectively, for living expenses and for project expenses for each six month period (i.e., in June for July-December expenses and in January for January-June expenses).

**USE OF FUNDS:** Prize recipients are not employees of the University of Pennsylvania and are solely responsible for the use of the President’s Engagement Prize funds. Proper use of the Prize funds to support the recipient’s living and project implementation expenses and to avoid undue taxation is solely the responsibility of the Prize recipient.

Prize funds may not be used to support partisan political activity, graduate study at Penn or elsewhere, or a for-profit venture. Recipients may not receive academic credit for their project at Penn or elsewhere. The project implementation portion of the funds may not be used to support an individual recipient’s living expenses.

**TAX REPORTING:**  Prize recipients are responsible for filing the appropriate tax returns and for paying any applicable Federal, state, or other taxes on the awards. Prize recipients who are US Citizens or Resident Aliens will file a Form W-9 (Request for Taxpayer Identification Number and Certification) with the University prior to the disbursement of any funds.

All Prize funds—i.e., both the living stipend and those intended to cover project implementation expenses--will be reported to the IRS and the recipient as Other Income on Form 1099-MISC (Miscellaneous Income). Recipients who are US Citizens or Resident Aliens will receive separate 1099-MISC forms for each calendar tax year--i.e., one 1099-MISC for each six month period.

[For Non-resident Alien recipients, the University is required to withhold 30% tax on the full amount of the Prize unless the individual is exempt from taxation under a tax treaty. Recipients who are Non-resident Aliens must file a University of Pennsylvania Foreign National Information Form prior to the disbursement of any funds. See <http://www.finance.upenn.edu/comptroller/Tax_International_Operations/Corporate_Tax/Research_Topics/> for more information. The Prize amount will be reported to the IRS and to the Non-resident Alien recipient on Form 1042-S (Foreign Person's U.S. Source Income Subject to Withholding).]

* **LIVING EXPENSES:**  Under current tax law, we anticipate that the funds intended to cover recipient living expenses will be treated as taxable income for Federal tax purposes. These funds will be reported to the IRS and the recipient as Other Income on Form-1099-MISC (Miscellaneous Income). Prize recipients may want to consider making estimated tax payments on the funds received for living expenses and should discuss this with their tax advisor.
* **PROJECT IMPLEMENTATION EXPENSES:** Project implementation funds will be reported to the IRS and the recipient as Other Income on Form-1099-MISC (Miscellaneous Income). Under current tax law, we anticipate that in most cases the Prize recipient will file Schedule C (Profit or Loss from Business) with his or her Federal income tax return, showing the income received for the project expenses and the offsetting project implementation expenses paid.

**FINANCIAL REPORTING:**  Prize recipients will be required to provide Penn with copies of Schedule C (Profit or Loss from Business) or Form 1065 (U.S. Return of Partnership Income) as part of their interim progress report on the project and as part of their final project report. The University will not require that any unused project funds in excess of the reported project expenses be refunded to the University, but the use of Prize funds for non-project-related purposes (e.g., for additional living expenses) may result in such funds being treated by the IRS as taxable income to the recipient.