



Questions about Taxes and the T.E.A.C.H. Early Childhood and Step Up to WAGE\$ Programs

Disclaimer: *This handout highlights some of the basic issues surrounding the T.E.A.C.H. Early Childhood scholarship, Step Up to WAGE\$ program and potential tax liability, but it will not attempt to give tax advice. The final authority is the Internal Revenue Service, and recipients and sponsors should be directed to either the IRS or a tax preparer for answers to specific tax questions.*

IRS regulations require that AECA issue a Form 1099-NEC if the total amount from any one of the income categories or the aggregate amount from a combination of these categories adds up to \$600 or more. The NEC shall be issued since it is the appropriate 1099 form for Nonemployee Compensation. The required 1099-NEC forms will be emailed to all recipients who qualify by **January 31, 2024.**

BONUSES

Bonuses are considered “other income” and a 1099 will be issued to the recipient if the total amount of funding provided to them is \$600 or more. The amount will be shown on the 1099 form you receive.

TECHNOLOGY & TRAVEL STIPENDS

The one-time technology stipend and travel stipend each semester are considered income and will have to be included on the personal tax return. Any expenses such as mileage, gas or tolls can then be deducted as an expense. This amount will also need to be included in the calculation of the amount on the 1099. Please refer to IRS Publication 463 for information related to automobile expenses.

RELEASE TIME

Funds provided to employer-sponsors for release time are considered income, whether or not they use the funds to hire a substitute. If in fact a substitute is hired, payment to the substitute is considered a business expense and can be deducted for tax purposes. Payments of \$600 or more would be included in a 1099 prepared by the T.E.A.C.H. agency to be included in the provider’s taxable income.

TUITION AND BOOKS

[IRS Publication 970 “Tax Benefits for Education”](#) identifies the circumstances under which a scholarship is taxable or non-taxable. Much depends on the intent of the recipient being a candidate for a degree as well as the purpose for which the funds are given, i.e. tuition vs. books, vs. travel, etc. The deductibility of educational expenses depends on whether the course of study improves skills in a current profession or if the individual is receiving training to enter a new profession. So much depends on the point of view and intentions of the recipient that it is hard to make a definitive statement. The portion of tuition and books paid by the recipient may be deductible as educational expenses if the recipient qualifies for such a deduction. Providers should check to see if they qualify to take educational expenses as deductions on their taxes.

STEP UP TO WAGE\$

Step Up to WAGE\$ stipends are considered “other income”, and a 1099-NEC will be issued to recipients if the total amount of funding provided to them in 2023 is \$600 or more. The amount will be shown on the 1099-NEC form you receive. If the T.E.A.C.H. recipient is also a Step Up to WAGE\$ recipient, the amounts you receive from both programs will be combined on a single 1099-NEC.

Keep in mind that if no payment is issued (for example, when a T.E.A.C.H. stipend is being used to offset what recipients owe T.E.A.C.H. for tuition), no payment will be recorded on the 1099. If payments are reduced, the amount listed on the 1099 will be reduced by the amount of any tuition co-pays.

This handout does not constitute tax advice.

Please contact the IRS or your tax preparer for guidance about your tax situation.