

### Prop. Reg. Section 1.117-6(h) Qualified Scholarships

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(h) Characterization of scholarship or fellowship grants exceeding amounts permitted to be excluded from gross income for purposes of the standard deduction and filing requirements for dependents. For purposes of section 63(c)(5) (relating to the standard deduction for dependents) and section 6012(a)(1)(C)(i) (relating to dependents required to make returns of income), any amount of a scholarship or fellowship grant in excess of the amount permitted to be excluded from gross income under paragraph (b) of this section is considered earned income. For example, on June 11, 1987, A, a student who has no other earned or unearned income for the year and can be claimed as a dependent on another taxpayer's return of tax, receives a \$1,000 scholarship for room and board. The \$1,000 must be included in A's gross income because it is not a qualified scholarship under paragraph (b) of this section. However, for purposes of sections 63(c)(5) and 6012(a)(1)(C)(i), the \$1,000 is earned income. Accordingly, A is not required to file a return of tax for 1987 because A's gross income (\$1,000) does not exceed A's standard deduction (\$1,000) and A has no unearned income.