17 T.C. 1386 (1952)

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Payments received by a research fellow for work on a sponsored research project are considered taxable income when the payments are intended as compensation for services rendered, rather than as a gift or scholarship.

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Summary

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Ephraim Banks, a graduate student, received payments from Polytechnic Institute for research work on a Navy contract. Banks argued these payments were a tax-exempt gift or fellowship. The Tax Court held that the payments were taxable income because they were compensation for services rendered to the Institute under a contractual agreement, noting the Institute expected specific work in return for the payments and supervised the work. The court also disallowed a deduction for tuition expenses paid by the Veterans Administration, as those amounts were already tax-exempt.

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Facts

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Ephraim Banks was a graduate student at Polytechnic Institute of Brooklyn. The Institute held a Navy contract to research inorganic materials. Banks was appointed as a research fellow to work on the contract, requiring him to devote 35 hours per week to the project. He received monthly payments (

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