Jamieson v. Commissioner, 51 T. C. 635 (1969); 1969 U. S. Tax Ct. LEXIS 206

Payments to teaching assistants are taxable compensation and not excludable as scholarships or fellowship grants under section 117 of the Internal Revenue Code.

Summary

In Jamieson v. Commissioner, the court ruled that payments received by a Ph. D. candidate for her work as a teaching assistant at the University of Texas were taxable as compensation, not excludable as scholarship or fellowship grants under section 117 of the Internal Revenue Code. The court found that these payments were made for services rendered, not based on financial need, and were paid out of the university's salary budget. Furthermore, the teaching assistantship was not a formal requirement for obtaining a degree, and thus the payments did not meet the criteria for tax exclusion under section 117(b)(1). This decision clarifies the distinction between payments for services and true scholarships or fellowships, affecting how students and universities categorize and report such income for tax purposes.

Facts

Suzanne M. Jamieson enrolled in the University of Texas Graduate School in September 1964, pursuing a Ph. D. in French. She was appointed as a teaching assistant, receiving $1,111. 12 for teaching conversational French during the fall semester. The payments were made monthly, and no academic credit was awarded for her teaching duties. The University of Texas categorized teaching assistants separately from scholarship and fellowship recipients, treating them as employees subject to employee regulations. The payments were made from the university's nontransferable salary budget, and the number of teaching assistant positions was determined by the university's instructional needs rather than students' financial needs.

Procedural History

The Commissioner of Internal Revenue determined a deficiency of $222. 43 in the Jamiesons' 1964 federal income tax, asserting that the payments Suzanne received as a teaching assistant were taxable income. The Jamiesons petitioned the U. S. Tax Court to exclude these payments under section 117 of the Internal Revenue Code. The Tax Court held a trial and ultimately ruled in favor of the Commissioner, concluding that the payments were taxable compensation.

Issue(s)

1. Whether the payments received by Suzanne M. Jamieson from the University of Texas as a teaching assistant qualify as excludable scholarship or fellowship grants under section 117 of the Internal Revenue Code.

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Holding

1. No, because the payments were made as compensation for services rendered, not as a scholarship or fellowship grant, and did not meet the criteria for exclusion under section 117(b)(1).

Court’s Reasoning

The court applied section 117 of the Internal Revenue Code, which excludes certain scholarships and fellowship grants from gross income. It found that the payments to Jamieson lacked the normal characteristics of scholarships or fellowships, as they were not based on financial need but on services rendered. The court emphasized that teaching assistants were treated as employees, paid from the salary budget, and not given academic credit for their work. The court also considered the University’s separate treatment of teaching assistants and scholarship/fellowship recipients. Furthermore, the court rejected the argument that the payments could be excluded under section 117(b)(1), as teaching was not a formal requirement for obtaining a degree. The court noted that while some teaching experience might be beneficial for students intending to enter the teaching profession, it was not universally required for all Ph. D. candidates in the Romance Languages Department. The court concluded that the entire amount received by Jamieson was taxable compensation, citing section 1. 117-2(a)(1) of the Income Tax Regulations, which states that payments for part-time employment should be included in gross income based on the rate of compensation ordinarily paid for similar services.

Practical Implications

This decision impacts how universities and students categorize payments for teaching assistantships for tax purposes. It establishes that such payments, when made for services rendered and not as part of a scholarship or fellowship, are taxable compensation. Universities must clearly differentiate between payments for services and true scholarships or fellowships in their administrative practices. Students receiving payments for teaching or similar services must report these amounts as income on their tax returns. This case has been influential in subsequent rulings concerning the tax treatment of graduate student compensation, reinforcing the principle that payments for services are not excludable under section 117 unless they meet specific statutory and regulatory criteria. It also underscores the importance of formal degree requirements in determining the tax treatment of such payments.

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