

CALIFORNIA FRANCHISE TAX BOARD

Legal Ruling No.102

December 8, 1953

FULBRIGHT GRANTS: TAXABILITY

Syllabus:

Student grants under the Fulbright Act are tax exempt income, whereas all other nonstudent grants are taxable income.

Advice is requested as to the taxability of grants under the Fulbright Act (60 Stat. 754, 50 U.S.C.A. App. Sec. 1641) which was enacted in 1946 to ameliorate a condition arising out of the sale of surplus United States war materials to war impoverished nations. These sales resulted in large American credits in foreign nations. The Fulbright plan authorized use of these foreign credits to finance studies, research, instruction, etc., of American citizens abroad.

The Federal treatment of tuition and maintenance stipends was clarified by 1T4056, 1951-2 C.B. 8. Section 17136 (formerly 17126) of the Personal Income Tax Law is similar to the Federal provision in its definition of gifts and treatment should be uniform under both laws. Thus, student grants, made to further the recipient's education, no services being rendered in consideration thereof, are tax-exempt gifts while grants to teachers, lecturers, and miscellaneous grants are taxable income as they are expected to give rise to some creative effort on the part of the recipient. Those receiving taxable gifts may, however, under certain circumstances receive a deduction for traveling and living expenses.