

Nurse Corps Scholarship Program Frequently Asked Questions

Nurse Corps Scholarship Program Tax Withholdings Questions

The U.S. Department of Health and Human Services (HHS) withholds federal income tax owed on all components of the Nurse Corps Scholarship Program (SP) award, including payment for tuition and fees, and withholds the "employee" share of FICA tax. All the Nurse Corps SP funds disbursed to you, or to your school on your behalf, are reported to the Internal Revenue Service (IRS) on a Form W-2 Wage and Tax Statement.

- 1. Is this a new HRSA policy?** No. The Health Resources and Services Administration (HRSA) is implementing a determination from the IRS that under Section 117(c)(1) of the Internal Revenue Code, the entire Nurse Corps SP award is taxable because it represents payment for services by the student required as a condition for receiving the qualified scholarship.
- 2. National Health Service Corps (NHSC) scholarships have a service obligation attached, so why aren't they taxable?** Congress specifically exempted NHSC scholarships from federal income tax in Section 117(c) (2) of the Internal Revenue Code. The statute does not similarly exempt Nurse Corps SP payments.
- 3. What part of a Nurse Corps participant scholarship is taxable?** All components of the Nurse Corps SP award are taxable, including your tuition, fees, ORC, and monthly stipend payments. Withholding income and employee FICA taxes from your tuition payments means that portions of your award may be reduced as a result and you will be required to pay the difference, if any. Similarly, if the amount withheld does not cover your tax obligations, you are responsible for paying the remainder to the IRS.
- 4. What is FICA and why is it taken out of a Nurse Corps participant award?** Federal Insurance Contributions Act (FICA) taxes are composed of Social Security and Medicare taxes paid by individuals and employers. While receipt of a Nurse Corps SP award does not make the recipient an employee of HRSA, the IRS considers the scholarship funds to be "wages" and HRSA the "employer" because HRSA controls the payment of the funds. Thus, FICA tax applies to the entire award – tuition, fees, stipend and ORC. HRSA must pay the employer share of FICA tax (currently 7.65 percent) and withhold the employee share of FICA (currently 7.65 percent) from your Nurse Corps SP award.
- 5. Does an awardee have to file a tax return with the IRS?** We suggest that you speak with a professional tax advisor, visit the [IRS website](#), use the [IRS Tax Withholding Estimator](#), or contact the IRS Tax Help Line at (800) 829-1040 to determine whether you need to file a tax return. Please note that you are not excused from having to file a tax return with the IRS by virtue of HRSA's reporting your Nurse Corps SP award "income" to the IRS or withholding federal income and FICA tax from your Nurse Corps SP award.

- 6. Is there any way to calculate the projected award amount after taxes?** The Nurse Corps SP award after-tax calculation is an individual assessment, which includes many factors that are specific to the individual taxpayer. For example, the amount of your Nurse Corps SP award, your marital status, and the number of allowances you claim on your W-4 will affect the amount of federal income tax that is withheld from your award. Thus, HRSA is not able to project the amount of federal income tax Nurse Corps SP participants will owe.

However, all participants' FICA tax withholding is the same: the "employee" share equals 7.65 percent of the total Nurse Corps SP award (6.2 percent for Social Security and 1.45 percent for Medicare). We recommend that you seek professional tax advice to help you consider your individual tax situation and the net effect that the withholding and reporting changes have on your award and tax liability.

- 7. If the tuition payment is reduced, will the awardee be able to take out a loan to pay the difference?** We suggest you speak with the financial advisor at your nursing school for the financial options that may assist you with paying for your education expenses.
- 8. Can a Nurse Corps participant apply for another government program for additional funds?** In accordance with the 2024 Nurse Corps SP Application and Program Guidance, you may seek other sources of funding if you do not incur another service obligation.
- 9. Is tax advice or assistance available to awardees from the Nurse Corps SP?** The Nurse Corps SP does not provide tax advice. We suggest you speak with a professional tax advisor, visit the [IRS website](#), or contact the IRS TAX HELPLINE at (800) 829-1040.
- 10. Can an awardee decline the award or return the money and get out of the contract after having a better understanding about the impact of withholding taxes on the scholarship?** You can decline the scholarship at any time before the Secretary or his designee countersigns your Nurse Corps SP contract. Once you have signed the Nurse Corps SP contract and HRSA has countersigned it, the contract is in effect. HRSA can terminate the contract only if, on or before June 1 of the school year to which the contract pertains, you:
- a. submit a written request to terminate your contract for that academic year; and
 - b. repay all amounts that were paid to you, or on your behalf, for that school year (tuition, fees, stipends and other reasonable costs).

If you meet these requirements and the contract is successfully terminated, you will no longer have a service obligation **for that school year**. Please note, however, that if you received Nurse Corps SP support for one or more prior school years (whether partial or

full support), you will still owe service in return for those prior years of support (**a two-year minimum**).

Nurse Corps SP General Questions

1. What if an awardee changes their mind about going into nursing after they have accepted the Nurse Corps SP Award? Accepting a Nurse Corps SP award is a serious commitment to serve as a RN or NP in a facility with a critical shortage of nurses. Individuals who accept the scholarship and change their mind about nursing before completing nursing school or the service commitment, have breached their contract with the U.S. Government and must pay back all monies paid directly to them and to the school on their behalf, with interest. The amount owed, including interest, must be paid within three (3) years of the date of the default, which is the date that a participant is no longer in compliance with their Nurse Corps SP contract. The HHS Secretary or designee may terminate a Nurse Corps SP contract for an academic year if, on or before June 1 of the school year, a participant:

- a. submits a written request to terminate their contract for that academic year; and
- b. repays all amounts paid to, or on behalf of, them (tuition, stipends and ORC) for that academic year.

If you meet these requirements and the contract is successfully terminated, you no longer have a service obligation **for that school year**. Please note, however, that if you received Nurse Corps SP support for one or more prior school years (whether partial or full support), you would still owe service in return for those prior years of support.

2. What if a Nurse Corps SP participant changes their mind about the type of nursing degree they want to earn or the level of practice in which they want to serve? The degree and specialty practice (if any) indicated on the application is the **ONLY** degree and specialty that the Nurse Corps SP will support. **No changes are accepted to an applicant's degree or specialty practice after the application deadline.** The service commitment must be consistent with the area of nursing for which the award was made. For example, if you were awarded as a psych NP, you must provide service as a psych NP, and not as an RN or as an OB/GYN NP.

3. Can Nurse Corps SP participants defer their scholarship start date? No, scholarship start dates cannot be deferred. The scholarship will start at the beginning of the 2024-2025 academic year.

4. What is an eligible health facility where Nurse Corps SP participants can fulfill the service obligation? Nurse Corps SP participants are required to serve in a Critical Shortage Facility (CSF) in a Health Professional Shortage Area (HPSA) with a primary care or mental health HPSA Score of 14 or above. Nurse Corps SP participants are responsible for finding their own employment site and confirming its eligibility with the Program before accepting an employment offer. The Nurse Corps SP reserves the right of final approval to ensure participants' compliance with all requirements related to the service obligation and Nurse

Corps SP contract. The Nurse Corps SP does NOT accept nurse staffing agencies or equivalent, travel nurse agencies, Per Diem (PRN or “as needed RNs or NPs”) as employment that is eligible to satisfy the required service obligation.

- 5. How many hours must a Nurse Corps SP participant work at a CSF to be considered full-time?** Full-time employment is considered no less than 32 hours of nursing services per week. At least 26 hours of the minimum 32 hours per week must be spent providing clinical services or direct patient care to patients. Participants wishing to serve part-time must obtain prior approval from the Nurse Corps SP and must extend the service obligation to equal the full-time commitment.
- 6. When does the Nurse Corps SP service obligation begin?** Nursing participants have up to nine (9) months from the date of graduation to: (1) obtain a nursing license; (2) accept an offer of employment from a Nurse Corps SP-approved facility; and (3) commence full-time (or if approved, part-time) clinical services at a CSF.
- 7. Once participants are selected to receive a Nurse Corps SP award, when will they receive tuition payment?** Payment of tuition and fees are made directly to the school on behalf of each participant. The Notice of Award Letter issued by the Nurse Corps SP to participants serves as authorization for the school to bill the Nurse Corps SP directly for tuition and required fees. It is the responsibility of participants to take the Notice of Award Letter to the appropriate school official and explain to them what the school official’s role and responsibilities are while participants are under contract with the Nurse Corps SP (e.g., invoice payment: ISV submission each term; and other inquiries as needed). It takes approximately six weeks from date of receipt of the invoice by the Nurse Corps SP for the school to receive payment.
- 8. Once participants are selected to receive a Nurse Corps SP award, will the program cover tuition and fees if their program started prior to July 1, 2024?** Yes, but the Nurse Corps SP will only pay tuition and required fees for required courses in summer school sessions when: (1) summer school is an academic term normally required by the school for all students in the same program, and (2) the summer session is in progress during the contract period of participants (i.e., through July 1, 2024).
- 9. How are Nurse Corps SP stipend and other reasonable cost payments issued?** Nurse Corps SP stipend and other reasonable cost payments are transferred electronically to participants’ financial institution through mandatory direct deposit.
- 10. Does the Nurse Corps SP cover additional books or materials that participants are required to purchase during the school year?** During the fall of each contracted academic year, the Nurse Corps SP makes a single “Other Reasonable Costs” payment to each participant. This payment is to assist with covering expenses for required materials such as books, clinical supplies/instruments, and uniforms during that school year. If additional

expenses for books and other materials arise, the Nurse Corps SP will not cover those expenses. Participants are responsible for paying those expenses. The Other Reasonable Costs payment is established in the initial award year and cannot be adjusted.

11. Is health insurance coverage included in the fees paid for by the Nurse Corps SP? If health insurance is required and purchase through the school is mandatory, the cost can be included in the fees paid by the Nurse Corps SP to the school. Insurance for family members is not covered. If the required insurance is purchased through any other source, then the school will not be allowed to submit the costs for the insurance fee.

12. What happens if a Nurse Corps SP participant takes a leave of absence and/or repeats course work while attending the nursing program? The Nurse Corps SP will discontinue the payment of all benefits during a leave of absence approved by the school. If a participant is repeating course work for which the Nurse Corps SP has already paid, the Nurse Corps SP will not pay for that repeated course work but can maintain payments for stipends and all other non-repeated course work provided that the participant continues to meet the Nurse Corps SP requirements.

13. What happens if a Nurse Corps SP participant is not funded for a specific year or through graduation? When a scholarship is awarded, funds are obligated (set aside) for the number of school years of support requested by participants and agreed to by the HHS Secretary or designee, as indicated by the signed contract(s). If a participant has not signed a contract through the date of graduation, they are given priority for continued funding when the existing scholarship support ends. Continuation funding is always subject to the availability of funding and the continued existence of the Nurse Corps SP.

14. Who pays the salary of Nurse Corps SP participants fulfilling the service commitment? The health care facility that employs Nurse Corps SP participants pays their salary. Nurse Corps SP participants negotiate their own salary and benefits packages with the CSF where they are employed after graduation. There is no "typical" salary. Salaries vary by employing facility and location.

15. What does the Nurse Corps SP mean when it says participants must make "at least a two-year service commitment"? Individuals who receive the Nurse Corps SP award are required to serve, at a minimum, a two-year full-time service obligation (or its part-time equivalent). Nurse Corps SP participants who receive less than two years of scholarship support will still owe the equivalent of two years of full-time service. The service obligation is extended by one year for each full-time year of Nurse Corps SP support received beyond two years.

16. Where do I send my Nurse Corps SP supporting documentation? Applicants should upload their Nurse Corps SP supporting documents to the Nurse Corps SP Online Application Portal. Applicants are **strongly encouraged** to upload all supporting documents in PDF

format to expedite the processing of their applications. Any materials uploaded and found illegible or unable to be opened will cause the application to be deemed ineligible. Materials must be received by the application deadline (May 2, 2024, at 7:30 p.m. ET).

- 17. How do I check the status of my Nurse Corps SP Application?** Applicants will receive a receipt of submission notice once the application has been successfully submitted online. Status and confirmation of receipt is provided for uploaded documents via the [Bureau of Health Workforce Customer Service Portal](#). Applicants are notified by e-mail no later than September 30, 2024, as to whether they have been selected for a Nurse Corps SP award.
- 18. Can Nurse Corps SP participants make changes to banking information after it has been submitted?** Yes. Once the scholarship award has been accepted and participants have electronically signed their application, they are asked to enter banking information including a bank account and routing number along with the EVFs and W-4. Participants can make any additional changes to their banking information by using the online [Bureau of Health Workforce Customer Service Portal](#). Click on the banking information link and follow the prompts as directed. It is recommended the previous account remain open until the stipend payment is received in the new account.