



Advisory: Tax Handling of Grants to an Individual

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This advisory is for individuals who have received grants to them personally and are hoping to minimize the tax liability of the grant income. If the grant was to your tax ID (usually your Social Security Number) this information is relevant. If the grant was to an organization or business you run with a separate tax ID this information probably does not apply.

Generally, when you are awarded a grant to you, personally, you will be asked to submit an IRS W9 form.

The amount of the grant will usually be reported to you at tax time on an IRS 1099 form.

The funds will need to be reported as income on your tax return unless the granting organization tells you they have some sort of exemption for this income. These can be reported as income on either your IRS 1040 or a Schedule C.

Many expenses related to the purpose of the grant are likely eligible to be deducted from the grant income.

With a 1040, any related expenses would have to be itemized along with other itemized expenses and, if it exceeded the standard deduction (\$12,550 in 2021) then you would be able to have some deduction from the grant income (along with all the other income).

With a Schedule C you can write off any expense related to the grant (materials for work you produce, advertising, costs for shows, studio rent etc.) and then only have to carry any net income to your 1040. Keeping track of your expenses is essential.

So for most people a Schedule C would be a better option to reduce tax liability. You do not have to have a doing business as (DBA) to file a Schedule C. To see what you can deduct on a Schedule C we suggest you download the form here: <https://www.irs.gov/pub/irs-pdf/f1040sc.pdf> and its instructions here: <https://www.irs.gov/pub/irs-pdf/i1040sc.pdf>

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