

GUIDELINES FOR PAYMENTS MADE TO SIUE STUDENTS

Revised: September 19, 2008

The Internal Revenue Code governs the manner in which scholarships and fellowship grants are taxed to the recipients and SIUE's reporting responsibilities with respect to scholarships and fellowship grants.

Students may receive educational assistance payments from SIUE that departments may denominate as scholarships, fellowship grants, prizes, awards, stipends, allowances, assistantships, and traineeships. Definitions and procedures on processing each payment are explained in these guidelines.

These guidelines apply only to payments made to students who are U.S. citizens, permanent residents, and resident aliens. For questions about payments made to nonresident alien students, please contact the Payroll Office. The contact information is located at http://www.siu.edu/humanresources/contact_us.shtml

SCHOLARSHIPS

A scholarship is generally defined as financial support to aid a student at an educational institution in the pursuit of studies. The student may be either an undergraduate or a graduate. Past, present, or future services are not expected in return for the support. Typically, these payments are to be used for educational purposes such as tuition, fees, room and board, books, supplies, and travel, etc. Generally, such aid is reported on IRS Form 1098-T to assist the students and the IRS in computing applicable tax credits. The funds may be taxable to the recipient but are not reported as taxable income by SIUE.

For additional tax-related information on scholarships, contact the [Tax Guide for Academic and Administrative Departments](#).

How to Process - In order to comply with federal financial aid regulations and IRS reporting requirements related to IRS Form 1098-T, these payments should be processed through the Student Financial Aid Office.

If a scholarship is funded through the SIUE Foundation, departments should prepare a [SIUE Foundation Authorization of Disbursement Form](#). The sample form provided here is for reference only. Please call the Foundation office at 650-2345 and ask for a customized Authorization of Disbursement Form for your specific Foundation fund. All scholarship payments from SIUE Foundation funds must be paid to the office of Student Financial Aid. Authorizations of Disbursements for fall and spring of the same academic year can be done at the same time.

For scholarships funded from state or local accounts, departments should prepare a Transfer Voucher. Departments should provide the Disbursing Account information and the Receiving Account information. List the students' names, ID numbers, the title of the scholarship, and the semester of the award in the description of the transaction. Mail completed [Transfer Vouchers](#) to Administrative Accounting, Box 1002.

FELLOWSHIP GRANTS

A fellowship grant is generally defined as financial support to aid an individual in the pursuit of study or research. Past, present, or future services are not expected in return for the support. Generally, such aid is reported on IRS Form 1098-T to assist the students and the IRS in computing applicable tax credits. The funds can generally be used for any purpose and may be taxable to the recipient but are not reported as taxable income by SIUE.

For additional tax-related information on fellowship grants, contact the [Tax Guide for Academic and Administrative Departments.](#)

How to Process - In order to comply with federal financial aid regulations and IRS reporting requirements related to IRS Form 1098-T, these payments should be processed through the Student Financial Aid Office. Fellowship grant payments made to graduate students are administered by the Graduate School before they are sent to the Financial Aid Office for payment processing. Please contact Cindy Fulton, Graduate School, at 650-3164 or cfulton@siue.edu for assistance.

PRIZES AND AWARDS

Prizes and awards are defined as financial support provided in recognition of special skills, achievements, performance, competition, contest, or other criteria. Payments may be used for any purpose (not limited to educational expenses) and are taxable income to the recipient.

Note: If the prize or award won by the student has to be used for educational expenses, the prize or award should be processed through the Student Financial Aid Office following the procedures discussed in this guideline under Scholarships or Fellowship Grants.

Non-Employment Related

Non-employment related prize and award payments are processed through Accounts Payable and are subject to IRS Form 1099-MISC reporting requirements. Departments should prepare an [AP Invoice Distribution Form](#), provide a description of the nature of the prize or award, and indicate that there are no restrictions as to the use of the funds. Departments should use Object Code 5063: Prizes, Premiums, and Awards 1099 - Yes.

Employment-Related

Employment-related prizes and awards (e.g., outstanding student worker) are processed through the Payroll Department and are subject to employment tax withholding and IRS Form W-2 reporting.

STIPENDS, ALLOWANCES, ASSISTANTSHIPS, AND TRAINEESHIPS

These terms are not defined in the Internal Revenue Code. To be considered a scholarship or fellowship grant, any amount received need not be formally designated as

a scholarship or fellowship grant. Departments should review the purpose of the payment and determine whether the payment will be processed as a scholarship or fellowship grant.

If past, present, or future teaching, research, or other services are required by the recipient in order to receive the payment, such payment should generally be treated as wages subject to employment tax withholding and reportable on IRS Form W-2. However, in rare cases (generally when the University does not have the right to direct and control how the work is to be performed), these services are independent contractor-type services with the payments treated as fees paid to an independent contractor and subject to IRS Form 1099-MISC reporting requirements. Departments should complete an [SIUE Independent Contractor Analysis Form](#) to make this determination.

For assistance with properly classifying the payment, please contact the [Tax Guide for Academic and Administrative Departments](#).

STUDENT TRAVEL

SIUE as Primary Beneficiary (University Business Expense) - Occasionally, a student is asked to travel as an SIUE representative to a conference or competition or to purchase items that are for SIUE use. These travel expense reimbursements are treated as SIUE business expenses and are processed through Accounts Payable.

Graduate and Undergraduate Assistants

Travel expense reimbursements for students performing services for SIUE as graduate and undergraduate assistants are governed by [SIUE guidelines and State of Illinois Travel Regulations](#). To request reimbursement, departments should prepare an [AP Travel Expense Voucher](#) which must be received by Accounts Payable within 60 days of completion of travel to avoid being reported to the IRS as taxable income to the student. Departments should use one of the following Object Codes:

Object Code 4344: Travel - In State - Employee Reimbursement; or
Object Code 4384: Travel - Out-of-State Travel - Employee Reimbursement

Student Workers

To request travel expense reimbursements for students performing services for SIUE as student workers, departments should prepare an [AP Invoice Distribution Form](#) which must be received by Accounts Payable within 60 days of completion of travel to avoid being reported to the IRS as taxable income to the student. Departments should use Object Code 4870: *Travel & Expense Reimbursement--Non-State Employees*.

Student as Primary Beneficiary (Scholarship or Fellowship Grant) - If the primary purpose of the trip is to further the education and training of the student in his or her individual capacity, then the travel expense reimbursements should be treated as part of the student's scholarship or fellowship grant. Reimbursements for these travel expenditures should be processed through the Student Financial Aid Office following the procedures discussed in this guideline under Scholarships or Fellowship Grants.