Payments to Students

Policy/Procedure

Payments are made to students for a variety of reasons. The type and purpose of the payment determines how it should be processed and whether it must be reported to the Internal Revenue Service (IRS) as taxable income or financial aid.

The rules for taxation are also based upon the recipient’s status of U.S. citizen, permanent resident or non-resident alien. To enable Dickinson College (the “College”) to determine the proper tax status of a non-resident alien, the Director of Global and Sponsored Programs Accounting must be notified before any payments are made to non-resident aliens.

Scholarships and Fellowships

As defined by the IRS, scholarships are amounts paid for the benefit of a student at an educational institution to aid in the pursuit of studies, and fellowships are amounts paid for the benefit of an individual in the pursuit of study or research. A student is considered to be the primary beneficiary if the emphasis of the duties he/she performs is to provide training to the individual, rather than useful results to the College.

A qualified scholarship or fellowship grant is tax-free only if the recipient is a candidate for a degree at an educational institution. Qualified scholarship and fellowship grants are amounts paid for tuition and fees (including student activity fees) which are required to enroll in, or to attend the College, or fees, books, supplies and equipment that are required for College courses. In order to comply with IRS reporting requirements on Form 1098-T, Tuition Statement, these payments must be processed through Financial Aid. Payments will then be applied to the student’s account and any excess balances will be refunded to the student.

Amounts paid for incidental expenses are taxable. Incidental expenses include expenses for room and board, travel, research, clerical help, personal supplies and other items not required for either enrollment or attendance at the College. Although these payments represent taxable income to the recipient, the College does not have any specific reporting or withholding requirements, unless paid to a non-resident alien (reported on Form 1042-S, Foreign Person’s U.S. Source Income Subject to Withholding) or if total payments exceed the college’s calculated cost of attendance (at which point payments should be reported as compensation). However, students should be made aware of the existence of taxable income when receiving these types of payments, as they will have to report such income on their personal tax returns.

The College offers Tuition Remission, Tuition Assistance and Tuition Exchange benefits to employees and their dependents. The tuition benefit paid on behalf of the student is not taxable if it meets the same criteria noted for qualified scholarships above.
Prizes and Awards

Monetary payments for achievement, performance, or a competition that are not related to employment services and have no restrictions for the use of the funds (not limited to qualified educational expenses) are considered taxable income to students. These payments are processed through Accounts Payable and are subject to Form 1099-MISC, Miscellaneous Income (or 1042-S for non-resident aliens) reporting. Further classification is required on the 1099-MISC to report the payment in either Box 3 (not for services performed) or Box 7 (nonemployee compensation).

Employment-related prizes and awards are treated as additional compensation processed through Payroll and are reported on Form W-2, Wage and Tax Statement.

Payments for Services

Payments for services include teaching, research and other services performed for the benefit of the College, including activities for the College that may be associated with a student’s course of study and educational experience. By default, the college will pay all students (whether currently employed or not) through payroll (reported on Form W-2) based on their existing relationship with the college. If a strong case can be made that services provided are independent of the student’s relationship with the college, and the student provides similar services to the general public, then those individuals will be considered for classification as an independent contractor (paid through Accounts Payable and reported on Form 1099-MISC). Payments to non-resident aliens are reported on Form 1042-S.

Student Reimbursements

Occasionally, students are asked to travel as College representatives to conferences or competitions or to purchase items that are for College use. When approved in advance, and when the College is the primary beneficiary of the expenditures, these expenditures are reimbursable to the student. Reimbursements must follow the accountable plan guidelines noted in the College’s Travel and Related Expenses policy in order to avoid being reported to the IRS (Form 1099-MISC or 1042-S) as taxable income to the student. Travel advances to students must be fully supported by receipts in order to qualify as accountable reimbursements.
Related Information

Miscellaneous Policies and Procedures (Student Resources)
Internship Grants (Student Resources)
Student Employment: Overview (Student Resources)
Awards (Athletics)
Payments to Non-Resident Aliens
Worker Classification and Payment
Procurement of Goods and Services
1099 Tax Reporting and Withholding
Taxation of Gifts, Prizes and Awards to Employees
Rent-Free Housing Provided by the College
Travel and Related Expenses

History/Revision Information

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Also Found In: