



INTRODUCTION



Policy on Payments to Students

Definitions and Procedures,
Wesleyan's Reporting Requirements,
and Student's Tax Responsibility

<http://www.wesleyan.edu/finance/financeDept/accounts/indPayPolicy/PmtstoStud.html>



Definition of a Student

Candidate for a Degree - A student, full or part-time, who either:

- Attends a primary or secondary school, or is pursuing a degree at a college or university.
- Attends an educational institution that is authorized or accredited to provide a program that is acceptable for full credit toward a bachelors or higher degree, or to provide a program of training to prepare a student for gainful employment in a recognized occupation.



Types of Payments made to Students

- Compensation
- Stipend (Grant, Fellowship, Internship)
(Services Required or No Services Required)
- Prizes and Awards
- Travel Reimbursements
- Other Reimbursed Expenses
- Non Qualified Scholarship
- Qualified Scholarship



COMPENSATION

Payment for work performed or services rendered. Includes any portion of a scholarship, stipend, grant, fellowship, internship, as well as tuition reduction, that represents payment for past, present or future teaching, research or other services. This applies even if all candidates for a degree are required to perform these services to receive the degree.



STIPEND, GRANT, FELLOWSHIP, INTERNSHIP

An amount paid for the **benefit of a student** to aid in the pursuit of study or research. A student may be pursuing either an undergraduate or graduate degree. There may be instances when a scholarship may contain payment for services and for non-services, and/or the intent of the payment is not defined or unclear.



What is a Stipend?

Stipends are payments typically given to individuals to help defray living or other costs. Under tax law, the **substance** of a transaction determines how a payment is taxed, not the name or form of payment. Therefore, the first task of the University is to **classify the income character** of a stipend based on the tax rules. Every payment should be looked at individually.

Examples of Stipends at Wesleyan

- Require services, processed in Payroll
 - Hughes
 - McNair
 - Resident Advisor
 - Course Assistant
- Do not require services, processed in Accounts Payable
 - Dana
 - Davenport
 - Watson



PRIZES AND AWARDS

An amount awarded to a student for academic excellence, achievement or special recognition. A prize/award is not considered compensation for services.



TRAVEL REIMBURSEMENT and OTHER REIMBURSED EXPENSES

An amount paid to a student to make the individual whole for an out-of-pocket travel expense incurred. Travel reimbursement requests must be supported by original documentation, including the purpose of the travel.



QUALIFIED SCHOLARSHIP

An amount given to a student to be used for tuition, required fees, books, supplies and equipment for attendance at Wesleyan. Cash, without receipts, disbursed to a student is not considered qualified scholarship.




NON QUALIFIED SCHOLARSHIP

An amount that is given to a student that is greater than the amount charged by the student's institution for tuition, required fees, books, supplies and equipment. Cash, without receipts, disbursed to a student, is considered a non qualified scholarship.



Classify the substance, or income character, of a payment based on the tax rules

IRS code and publications provide the University rules for determining the substance of a payment, or in our terms, determining whether a payment should be paid from Payroll or Accounts Payable.



Determine whether a student is a US Citizen/Resident Alien or Non US Citizen/Nonresident Alien for tax purposes

Because the IRS carves out a separate set of tax rules and regulations for individuals deemed to be “foreign persons”, the University has the added responsibility of determining a student’s tax status to proceed with making a payment, tax withholding, and tax reporting.

Therefore , the following payment procedure slides will separate the instructions for student payees into two categories:

- US Citizen/Resident Alien
- Non US Citizen/Nonresident Alien

COMPENSATION

Payment Procedures

Tax Withholding/Reporting Responsibility

US Citizen/Resident Alien and Non US Citizen/
Non Resident Alien

Submit payment to Payroll. See instructions at
<http://www.wesleyan.edu/payroll/stuTimeRept.html>

Compensation is taxable to a student and reported on a W-2. Treaty earnings are reported on a 1042-S for Non US Citizen/Non Resident Aliens.

STIPEND, GRANT, FELLOWSHIP, INTERNSHIP

(Services Required) ©

Payment Procedures

Tax Withholding/Reporting Responsibility

US Citizen/Resident Alien and Non US Citizen/
Non Resident Alien

Submit payment to Payroll. See instructions at
<http://www.wesleyan.edu/payroll/stuTimeRept.html>

Payment is taxable to a student and reported on a
W-2. Treaty earnings are reported on a 1042-S for Non US Citizen/Non
Resident Aliens.

STIPEND, GRANT, FELLOWSHIP, INTERNSHIP

(No Services Required) ©

Payment Procedures

Tax Withholding/Reporting Responsibility

US Citizen/Resident Alien

Submit payment to Accounts Payable. See instructions at <http://www.wesleyan.edu/finance/financeDept/accounts/PmtProcessProcedure.html>

A non service stipend is taxable to the student but not reported by Wesleyan.

Non US Citizen/Non Resident Alien

Submit payment to International Tax Specialist. Each payment will be reviewed and submitted to Accounts Payable.

A non service stipend is taxable to the student at a 14% rate and reported on a 1042-S.

PRIZES AND AWARDS

Payment Procedures ©

Tax Withholding/Reporting Responsibility

US Citizen/Resident Alien

Submit payment to Accounts Payable. See instructions at <http://www.wesleyan.edu/finance/financeDept/accounts/PmtProcessProcedure.html>

Prizes/awards are taxable to the student and reported on a 1099-MISC.

Non US Citizen/Non Resident Alien

Submit payment to International Tax Specialist. Each payment will be reviewed and submitted to Accounts Payable.

Prizes/awards are taxable at a 30% rate and reported on a 1042-S.

TRAVEL REIMBURSEMENT and OTHER REIMBURSED EXPENSES

Payment Procedures

Tax Withholding/Reporting Responsibility

US Citizen/Resident Alien

Submit payment to Accounts Payable. See instructions at <http://www.wesleyan.edu/finance/financeDept/accounts/PmtProcessProcedure.html>

Travel reimbursements, with receipts, are not taxable to the student and not reported by Wesleyan.

Non US Citizen/Non Resident Alien

Submit payment to International Tax Specialist. Each payment will be reviewed and submitted to Accounts Payable.

Travel reimbursement, with receipts, are usually taxable to the student at a rate of 14% and reported on a 1042-S.

QUALIFIED SCHOLARSHIP

Payment Procedures

Tax Withholding/Reporting Responsibility

US Citizen/Resident Alien and Non US Citizen/
Non Resident Alien

A qualified scholarship is applied to a student's
University account.

A qualified scholarship is not taxable. Tuition only is reported on a 1098-T. A 1098-T is produced only for individuals with a SSN.

NON QUALIFIED SCHOLARSHIP

Payment Procedures

Tax Withholding/Reporting Responsibility

US Citizen/Resident Alien

Submit payment to Accounts Payable. See instructions at <http://www.wesleyan.edu/finance/financeDept/accounts/PmtProcessProcedure.html>

A non qualified scholarship is taxable to the student but not reported by Wesleyan.

Non US Citizen/Non Resident Alien

Submit payment to International Tax Specialist. Each payment will be reviewed and submitted to Accounts Payable.

A non qualified scholarship is taxable at a 14% rate and reported on a 1042-S.



CONTACTS

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Questions?