

# UNIVERSITY OF WYOMING

## Tax Office

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## Student Travel

From a tax perspective, all payments made to an individual are taxable unless there is a code section that excludes them. For example, the tax code allows for an employee's taxable income to be reduced by money set aside for health care or dependent care expenses under a flexible spending account, or scholarships used for "qualified tuition and related expenses" may be excluded from income. **Employee travel**, is excluded from income under the accountable plan rules (Internal Revenue Code Section 1.62) which states the expenses must have a business purpose to the payer (the University), be adequately accounted for, (turning in receipts) and any excess reimbursement or allowance that cannot be accounted for must be returned or reported on the employees W-2. **These rules only apply if there is a service element to the relationship for which the payment is occurring** (employer/employee or business owner to independent contractor). The provider of the services (employee or independent contractor) is not required to be compensated for the services for the accountable plan rules to apply.

**Students in non-service relationships with the University: There is no section in the tax code that excludes reimbursements to a student for travel expenses.** If a student is not in a service type relationship with the University and the University does not have a business purpose for making the payment, **the payment needs to be classified as a scholarship and be processed through financial aid** and will not qualify to be excluded from income under the accountable plan rules.

**Students in service relationships with the University:** Expenses including travel can be reimbursed to students through accounts payable and are not reportable as taxable income if the student is in a service relationship with the University or the expenses relate to official University business and the primary beneficiary of the expenditure is the University. Below are some **examples of nontaxable reimbursements to students:**

- The reimbursement directly supports a faculty members project or research
- The reimbursement is related to presenting research findings at a conference on behalf of the University (a service is being provided)
- The reimbursement is related to attendance at University sponsored events such as athletic events or student competitions where the University is being represented

Generally we are sending graduate assistants, research assistants, doctoral candidates, etc. to conferences. The services that are provided as a graduate assistant allow the travel expenses to be reimbursed under the accountable plan rules if the travel relates to their work. If they happen to work at Washakie, this work is likely not related to the conference and the reimbursements would not be excludable from income under the accountable plan rules.

**Will classifying these travel reimbursements as scholarships affect a student's overall aid package and how does this apply to the thank you card requirements for scholarships?** Christy Nordmann in Financial Aid ([nordmann@uwyo.edu](mailto:nordmann@uwyo.edu)) explained that if you state on the scholarship request form that the payment is for travel they can add it to their aid package and it will not affect the overall aid the student receives. She said you can also state that a thank you note is not required as that is determined by donor, not Financial Aid as a whole.

**Additional information on qualified tuition and related expense from Publication 970 Tax Benefits for Education is included as clarification on the tax treatment of scholarships.**