

Financial Affairs

Policy No. TAX 2.0	Subject: Payments to students for nonservice scholarship and fellowship grants	
Chapter: Payment procedures		
Department: Accounting		Effective: 1/1/2019
Signature: Ashlie Reese AVP, Finance		Revised: 12/1/2020

1. PURPOSE

To provide guidance to assist faculty, staff, and students in appropriately classifying a scholarship or fellowship grant and the procedures to follow once a determination has been made.

2. POLICY
OVERVIEW

A scholarship is generally an amount paid or allowed to, or for the benefit of, a student (whether an undergraduate or a graduate) at an educational institution to aid in the pursuit of his or her studies.

A fellowship grant is generally an amount paid for the benefit of an individual to aid in the pursuit of study or research.

A scholarship or fellowship grant includes the following:

- The amount of tuition, matriculation, and other fees that are paid for or remitted to the student to aid the student in pursuing study or research.
- The value of contributed services and accommodations. This includes such services and accommodations as room (lodging), board (meals), laundry service, and similar services or accommodations that are received by an individual as a part of a scholarship or fellowship grant.
- Any amount received in the nature of a family allowance as a part of a scholarship or fellowship grant.

Important Note: Payments made to a student in consideration for past, present, or future services for the benefit of the University cannot be classified as a scholarship or fellowship grant. Service payments that are compensatory in nature must be processed through payroll as employee compensation.

Examples of employee compensation include payments made in consideration for the following activities:

- Teaching

- Research for the benefit of the University
- Clerical/administrative work for the benefit of the University
- Similar services performed by other University employees

Please note that asking a student to check in or provide periodic reports or presentations to the University on the progress/status of their own independent research (for the benefit of the student) does not constitute performance of services.

Contact HR Employment for instructions on processing payments for employee compensation at 307.766.5604 or jobapps@uwyo.edu.

When awarding a scholarship or fellowship grant to a student, it must be determined whether the payment is being made to the student in consideration for either:

- A. Cost of attendance at the University
- or--
- B. Other scholarship or fellowship grant payments that are not considered University cost of attendance

A. Payments for cost of attendance include the following:

- Tuition at the University
 - Mandatory fees at the University
 - Advising fees at the University
 - Program fees at the University
 - On-campus lodging
 - Meal plan
- * See [link](#) for more information.

B. Other scholarship or fellowship grant payments that are not considered cost of attendance

Other scholarship or fellowship grant payments allocated to pay for things to help the student fulfill any independent educational activities that they may be pursuing would not be considered cost of attendance at the University. Examples could include the following:

- Conference registration fees (for the benefit of the student, not the University)
- Research (for the benefit of the student, not the University)
- Clerical/administrative assistance (for the benefit of the student, not the University)

- Off-campus lodging
- Personal living expenses
- Travel
- Equipment
- Medical expenses
- Other expenses that do not fall under cost of attendance

3. **APPLICABILITY**

Any University Unit responsible for making payments to students for nonservice scholarship and fellowship grants.

4. **DEFINITIONS**

U.S. Person – A United States Citizen, Permanent Resident, or Resident Alien for Tax Purposes under the applicable laws of the United States of America

Non-U.S. Person – Any other individual that does not qualify as a U.S. person

Scholarship - From US Treasury Regulation Section 1.117-3(a): An amount paid or allowed to, or for the benefit of, a student (whether an undergraduate or a graduate) at an educational institution to aid in the pursuit of his or her studies.

Fellowship Grant - From US Treasury Regulation. Section 1.117-3(c): An amount paid for the benefit of an individual to aid in the pursuit of study or research.

Employee compensation – Payments made in consideration for past, present, or future services of an individual.

Cost of attendance – Tuition, mandatory fees, advising fees, program fees, and room and board. See [link](#) for more information.

5. **PROCEDURES**

Choose the procedure according to the student’s country of citizenship (US vs. non-US) and the type of payment being made:

A. Scholarship or Fellowship Grants that are for University Cost of Attendance - U.S. Persons and Non-US Persons

Scholarship or fellowship grants that are for University cost of attendance will need to be processed through the Office of Scholarships and Financial Aid’s selection worksheet process. The payment will be applied to the student’s Banner Account.

The **Scholarship Selection Worksheet** will be used to process scholarship and fellowship grants. See the **Scholarship Selection Worksheet Instructions** for further details. Current documents can be found within the Scholarships & Financial Aid WyoGroup.

B. Scholarship or Fellowship Grants Not for cost of attendance-Non-U.S. Persons

Because of different tax withholding and reporting requirements, there are different rules regarding international students. All scholarship and fellowship grants must be processed through the Office of Scholarships and Financial Aid's selection worksheet process, whether the scholarship or fellowship grants are for cost of attendance or not. The payment will be applied to the student's Banner Account.

The **Scholarship Selection Worksheet** will be used to process scholarship and fellowship grants. See the **Scholarship Selection Worksheet Instructions** for further details. Current documents can be found within the Scholarships & Financial Aid WyoGroup.

The payments may be subject to 14% tax withholding before any amount is refunded. Please contact the Tax Office for questions or further analysis on payments to non-U.S. persons at 307.766.2821 or tax@uwyo.edu.

B. Scholarship or Fellowship Grants Not for cost of attendance- -U.S. Persons:

Scholarship and fellowship grants that are **NOT** for University cost of attendance can be processed through the [Non-PO Invoice](#) process. They should be coded to the below account code.

66520

Scholarships to Individuals

The Tax Office will send out notices at the end of every calendar year that lets the student know that they will need to consult their tax advisor regarding scholarship and fellowship grant payments made to them that are paid under this account code. The taxability of these payments depends on what the funds are spent on.

Documentation:

Please include the following statement in any award letter **OR** directly on the Non-PO invoice:

“This payment is not being made in consideration for past, present, or future services rendered by the payee.”