

MEMORANDUM

To: All WVU Deans, Chairs, Faculty Members & Business Offices

From: Mark Gavin, Associate Provost for Academic Budget, Facilities & Strategic Initiatives
Paul Kreider, Vice Provost
Sandra Oerly-Bennett, Assistant Vice President for Student Financial Services
David Koslow, Assistant Vice President for Finance
Rachel Hays, Director of Procure to Pay Operations
Melissa D. Hunt, Assistant Director Tax Services

Date: November 30, 2021

Re: Stipend Payments

Please see the attached *Stipend Guidelines* and *Stipend Determination Flowchart* documents that provides updated guidance for University Departments regarding the payment of stipends to individuals including but not limited to WVU students. These updated guidelines were created to bring the University in compliance for financial aid and tax reporting purposes. We are requiring Departments to review and implement all needed changes as soon as possible.

As part of the implementation of these guidelines, please review all current payments classified as stipends to determine the correct classification and payment method. Key factors to consider include:

1. Is the stipend payment for services rendered?
2. Is the activity related to the stipend payment tied to the individual's educational pursuit and/or degree?
3. Is the individual a registered WVU student?

It is equally important to make the needed change from processing these payments through Procurement, Contracting & Payment Services (PCPS) to either the payroll system for compensatory stipend payments or to the student's Banner account for non-compensatory stipend payments. Moving forward, stipend payments paid through PCPS, including the pre-paid card system, will be limited to non-compensatory stipend payments made to non-WVU students or WVU students who are not enrolled in the current academic term and will require Tax Services and/or Financial Aid approval to ensure the payment should not be processed through either the payroll system or the student's Banner account.

Stipend Guidelines

Guideline Purpose

To provide greater clarity, West Virginia University (University) has developed the following guidance related to the payment of stipends. In general, the term “stipend” is defined as follows:

A fixed regular sum paid as a salary or allowance.

The term stipend is used to describe various types of payments made by the University and is used differently by Departments within the University community. “Stipend” is used as a virtual catch-all category for a variety of payments but often takes the form of a subsistence allowance given to students to help defray living expenses during the educational or training experience; as additional funding for their education; and/or as compensation for work performed.

The primary purpose of these guidelines is to assist University Departments in identifying the intent or type of stipend payment being made to the individual and to provide instruction regarding what University payment system must be utilized in processing the payment. Departments should assess the purpose of the payment to determine how it should be classified and based on that decision, the required payment method. It is important to ensure proper classification of payments in order to satisfy compliance requirements with federal and state financial aid rules, IRS tax reporting requirements, the Fair Labor Standards Act, other federal and state regulations, and University policies. In addition to this document, please see the “Stipend Determination Flowchart” to aid in determining the proper payment method. When conflicting rules, policies and/or requirements are present, to ensure overall compliance, Departments should work with both Tax Services and Financial Aid to determine the correct category type of stipend, payment method, and overall treatment of the payment. It is important to understand the details surrounding the stipend payment in order to facilitate accurate treatment and reporting for both the individual and the University for financial aid and tax reporting.

Compensatory Stipend Payments

Compensatory stipend payments are payments that are dependent upon the individual providing services or being employed by the University as a condition of receiving the stipend payment and would generally be considered employment wages. In this situation, the University would be the primary beneficiary of any work product produced with any benefit to the individual being incidental. Additionally, the individual would be under the supervision of a University supervisor and have set or standard expected work hours.

As employment wages, compensatory stipend payments must be paid through the payroll system. Employment wages are subject to income tax withholding and the individual will receive a Form W-2 at the end of each calendar year reporting wages paid and taxes withheld. Employment wages are subject to the University fringe rate which would include the employer portion of the FICA taxes. As employment, the individual would be covered in the event of any injury by Workers' Compensation.

Student employment positions, including but not limited to Federal Workstudy student employees, Departmental student employees, hourly workers or graduate positions (GTA, GRA, GA, etc.), are not considered eligible wages or covered employment for Unemployment Compensation purposes. If the position is not a student employment position, it would be considered covered employment for Unemployment Compensation purposes.

Compensatory stipend payments that are subject to grant or donor restrictions that do not permit the payment(s) to be considered employment wages nor allow for required tax related expenses should be amended, if possible, with the granting agency or donor to allow such payments. If the payment is compensatory in nature and is therefore considered wages, tax withholding and reporting is required regardless of the terms of the grant or donor restriction. It will be the responsibility of the Department to cover these costs if there are grant and/or donor restrictions that cannot be amended.

Compensatory stipend payments paid through payroll will be treated in the same manner whether the individual is a U.S. Citizen, a Resident Alien (Green Card Holder), or a Non-Resident Alien.

Non-Compensatory Stipend Payments – WVU Students

Non-compensatory stipend payments are made without the requirement for specific services to be rendered by the individual and should be payments to the student as part of their educational pursuits. It is important to note that the performance of any activity by the student should be performed independently and not under any direct supervision or direction. The beneficiary of the activity should be the student and should aid in their education with any benefit to the University being incidental. The student may seek advice or assistance from colleagues, or may collaborate with others in their discipline, but the final decisions of what to do, how to proceed, and the direction of the research/project/educational pursuit should be decided by the student.

As an example, if the student is conducting a research project as part of their educational pursuit where the research results will be part of a written report or project in which the student will receive class credit or other personal educational benefit, then the payment can be considered a non-compensatory stipend payment. In contrast, if

the student will be working on a research project where they will be supervised by a University employee and the University will be the owner and/or beneficiary of any research findings, then payments to the student would be considered compensatory and must be paid through the payroll system.

Because non-compensatory stipend payments are not considered employment wages, the payments are not subject to the University fringe rate and the individual would not be covered for benefits under either Workers' Compensation or Unemployment Compensation.

Payments made to WVU students of non-compensatory stipends that are awarded to support the student's study, training, or research, which can include cost of living expenses, are considered gift aid similar to scholarships, fellowships, grants, and other educational funds provided to the student. These payments would also include, but are not limited to, for-credit internships; non-credit internships; research support payments; summer research and other summer projects; participant payments (non-human subject); and other miscellaneous payments that are provided to the student in aid of or in support and furtherment of the student's education.

As gift aid, non-compensatory stipend payments made to WVU students must be paid through the student's Banner account and are subject to reduction in the amount paid if the student has an outstanding balance at the time of payment. Non-compensatory stipend payments that are subject to grant or donor restrictions that do not permit reductions in payments for an outstanding balance due on the student's account should be amended, if possible, with the granting agency or donor to allow such reductions. If unable to resolve and/or amend the terms, Departments should work with Financial Aid in processing the payment to ensure the payment is made in full to the student without reduction for any outstanding balance on the student's Banner account.

For students who are eligible for Federal and state aid, to ensure non-compensatory stipend payments are properly accounted for as part of the student's total financial aid package and do not exceed the University's established Cost of Attendance, the total payment amount should be determined prior to the beginning of the academic term. The total payment that would be due to the student over the course of the academic term should then be paid at the beginning of the academic term. Federal and state regulations limit when payments can be made to students through the student's Banner account. Payments cannot be posted earlier than 10 days prior to the student's first date of enrollment for the academic term or payment period. Even though non-compensatory stipends may or may not be federal or state aid, policy dictates that all payments processed through Banner follow the same procedure, thus non-compensatory stipends will not be posted more than 10 days prior to the student's enrollment at the beginning of the academic term.

Because non-compensatory stipend payments are considered gift aid and not contingent upon services being performed, payments should not be reoccurring in nature on a bi-weekly, monthly, or other repetitive basis. Payments made on a reoccurring basis or that are contingent upon the individual performing specific tasks or reaching specific goals or milestones to “earn” the right to the payment are not considered gift aid but are employment wages and must be paid through the payroll system process.

Payments for non-compensatory stipends to enrolled WVU students should **not** be made through Procurement, Contracting & Payment Services, nor through the pre-paid card system, nor through any other payment method, including the Foundation, and should only be paid through the student’s Banner account. The exception to this rule is for WVU students who will be receiving a non-compensatory stipend during an academic term when they are not currently enrolled such as non-compensatory stipends paid during the summer term when the WVU student is not enrolled. Payments that fall under the exception should be paid through PCPS and/or through the pre-paid card system.

All gift aid, including non-compensatory stipend payments, processed through the student’s Banner account and/or provided by the University is reported on the student’s Form 1098-T in Box 5. Gift aid is a potentially taxable income to the student dependent upon their individual tax situation and their related qualified educational expenses as defined by the IRS. Form 1098-T is issued at the end of each calendar year but note that a Form 1098-T is not required to be issued by the University to all students. Non-issuance of a Form 1098-T to an individual student does not mean the gift aid is non-taxable to the student taxpayer, only that under IRS guidelines the University is not required to issue a form. Form 1098-T reporting all gift aid is issued by the University when required under IRS guidelines. It is the individual student’s responsibility to report on their personal tax return all taxable non-compensatory stipend payments received whether or not a Form 1098-T is issued.

While every effort is made to maximize a student’s funding opportunities, there may be situations where a Department aims to cover expenses for or to provide stipends or other funds directly to a student to aid in their educational pursuit. Examples of this could include Departmental scholarships and/or other Departmental stipend funds provided to cover tuition, educational expenses and/or other living expenses, etc. However, in doing so it could necessitate the reduction of another resource due to limitations prescribed in regulations for federal and state aid recipients. In summary, based on the individual student’s financial situation and financial aid eligibility, the total dollar amount of gift aid from all sources that can be provided may be limited and the provision of Departmental stipends or other funds may reduce the student’s eligibility for Federal or state aid according to regulations. It is important to note that each student’s

financial aid package is unique, and any questions related to the awarding should be referred to the WVU Hub.

Non-compensatory stipend payments and all gift aid provided to foreign national students is potentially subject to Alien Tax (ATAX) for those who are considered a non-resident alien for income tax purposes. Foreign national students subject to ATAX will receive a Form 1042-S, *Foreign Person's U.S. Source Income Subject to Withholding*, at the end of each calendar year reporting their income subject to ATAX taxation and the ATAX withheld. Foreign national students who are unsure of their tax status should be referred to Tax Services at tax@mail.wvu.edu for a tax analysis.

Non-Compensatory Stipend Payments – Non-WVU Students

Non-compensatory stipend payments made to non-WVU students may be paid through Procurement, Contracting & Payment Services and/or the pre-paid card system and charged to the following expense line item:

5010401 – Gen Exp – Awards, Educational Scholarships, Loans, Tuition & Fees

Non-compensatory payments made in this manner should be limited to non-WVU students and non-WVU employees. Non-WVU students include any individual who is not enrolled during the current academic term for which the payment applies.

Examples of non-compensatory stipend payments that would be paid through Procurement, Contracting & Payment Services and/or the pre-paid card system would include non-WVU students who are participating in summer internship and/or research opportunities where the primary beneficiary is the student with the payment being non-compensatory in nature and the primary basis for the payment would be to further the individual student's education. As a reminder, compensatory stipend payments should always be paid through the payroll system regardless of the individual's student status.

Non-compensatory stipend payments provided to individuals as aid in their educational pursuit is considered by the IRS a potentially taxable income to the student dependent upon their individual tax situation and their related qualified educational expenses as defined by the IRS. Non-compensatory stipend payments paid through Procurement, Contracting & Payment Services and/or the pre-paid card system will be reported on the student's Form 1098-T in Box 5 as gift aid if the payment was paid to an individual who was considered a non-WVU student at the time the payment was made, but who was enrolled in an academic term at some point during the calendar year and who was issued a Form 1098-T for that calendar year by the University.

For non-WVU students who were not enrolled for any academic term during the calendar year and/or for whom the University is not required to issue a Form 1098-T,

the University does not have a reporting requirement in this situation and no tax documents will be issued. However, the individual student is still responsible for reporting on their personal tax return all taxable non-compensatory stipend payments received.

Non-compensatory stipend payments to be paid to any foreign national student is potentially subject to Alien Tax (ATAX) for those who are considered a non-resident alien for income tax purposes. Additionally, payments to foreign national individuals who are not a WVU student can be considered a violation of status depending upon the nature of the payment. Departments should contact Tax Services at tax@mail.wvu.edu before awarding a non-WVU student foreign national individual a non-compensatory stipend to ensure that the individual is eligible to receive the payment without violation of their Visa status and/or to determine if the payment would be subject to ATAX.

In cases where the payment is subject to ATAX, ATAX will be withheld from the payment before it is paid to the student. Tax Services will notify the Department in instances where ATAX must be withheld. If grant or donor restrictions do not permit reductions in payments for tax withholding and/or if the payment is made without the appropriate ATAX withholding, the payment amount will be grossed up and the Department will be required to provide Tax Services with an alternate funding source that will be charged for the ATAX amount due.

Other Payments

WVU Foundation – payments made using Foundation funds should follow the same guidelines as outlined above with compensatory stipend payments paid through the payroll system; non-compensatory stipend payments to WVU students paid through the student's Banner account; and non-compensatory stipend payments to non-WVU students paid through Procurement, Contracting & Payment Services or the pre-paid card system.

Reimbursements – A travel reimbursement, meal per diem, or other expense reimbursement payment made to an individual traveling or conducting business on behalf of the University should be made under the University's [Accountable Plan](#). The Department making the payment should determine whether the individual is incurring the expenses primarily for University business or primarily for the benefit of the individual. Reimbursements where the University is the primary beneficiary, with a valid business purpose, and for which support for the business expense is timely provided are not reportable nor taxable to the individual as long as the University's Accountable Plan rules are followed and may be paid through the Procurement, Contracting & Payment Services as a reimbursement.

Funds provided for travel or for items provided where the individual is the primary beneficiary and when the funds are provided to the individual as a student in pursuit of the individual's education are considered an additional form of gift aid and should be paid through the student's Banner account. Examples would include lump sum amounts provided to the student that may be used for travel at the student's discretion and for which the University's Accountable Plan rules are not followed; or lump sum amounts provided for the purchase of equipment that would be property of the student.

Awards/Prizes – Awards and prizes provided to WVU students are almost always considered additional gift aid. Whether the winnings are called “prizes” or “awards” is not determinative. Whether the winnings take the form of cash, cash equivalents (e.g. gift cards) or non-cash items (e.g. electronic devices, laptops, iPads) that can be used for educational purposes is not determinative. The source of the funding is not determinative. Awards and prizes are considered additional gift aid if any of the following conditions apply:

1. Eligibility for the award or prize and/or to participate in the contest or drawing is restricted to students (includes both WVU students and students enrolled at other educational institutions).
2. The recipient is required to use the award or prize for educational purposes.
3. The contest or drawing is related to the student's University courses or degree completion.
4. The award or prize given for winning the contest or drawing is cash or a non-cash item that can be used for educational purposes or to pay for expenses, including personal expenses incurred while in pursuit of a student's education.

Award or prize payments paid to any foreign national student is potentially subject to Alien Tax (ATAX) for those who are considered a non-resident alien for income tax purposes. Additionally, payments to foreign national individuals who are not a WVU student can be considered a violation of status depending upon the nature of the payment. Departments should contact Tax Services at tax@mail.wvu.edu before awarding either a WVU student or a non-WVU student who is a foreign national individual an award or prize to ensure that the individual is eligible to receive the payment without violation of their Visa status and/or to determine if the payment would be subject to ATAX.

Human Subject Payment – Human subject payments are not considered a type of a stipend regardless of whether or not the individual is either a WVU student or an employee. Human subject payments are not reportable for financial aid purposes as long as participation is not limited to only students. If participation is limited to WVU students only, the payment must be reported to Financial Aid as an additional form of gift aid.

For tax purposes human subject payments are considered additional income by the IRS regardless of the dollar amount paid, the individual's status (employee, student, or neither), and are potentially reportable by the University as Other Income in Box 3 on Form 1099-MISC if reporting thresholds are met.

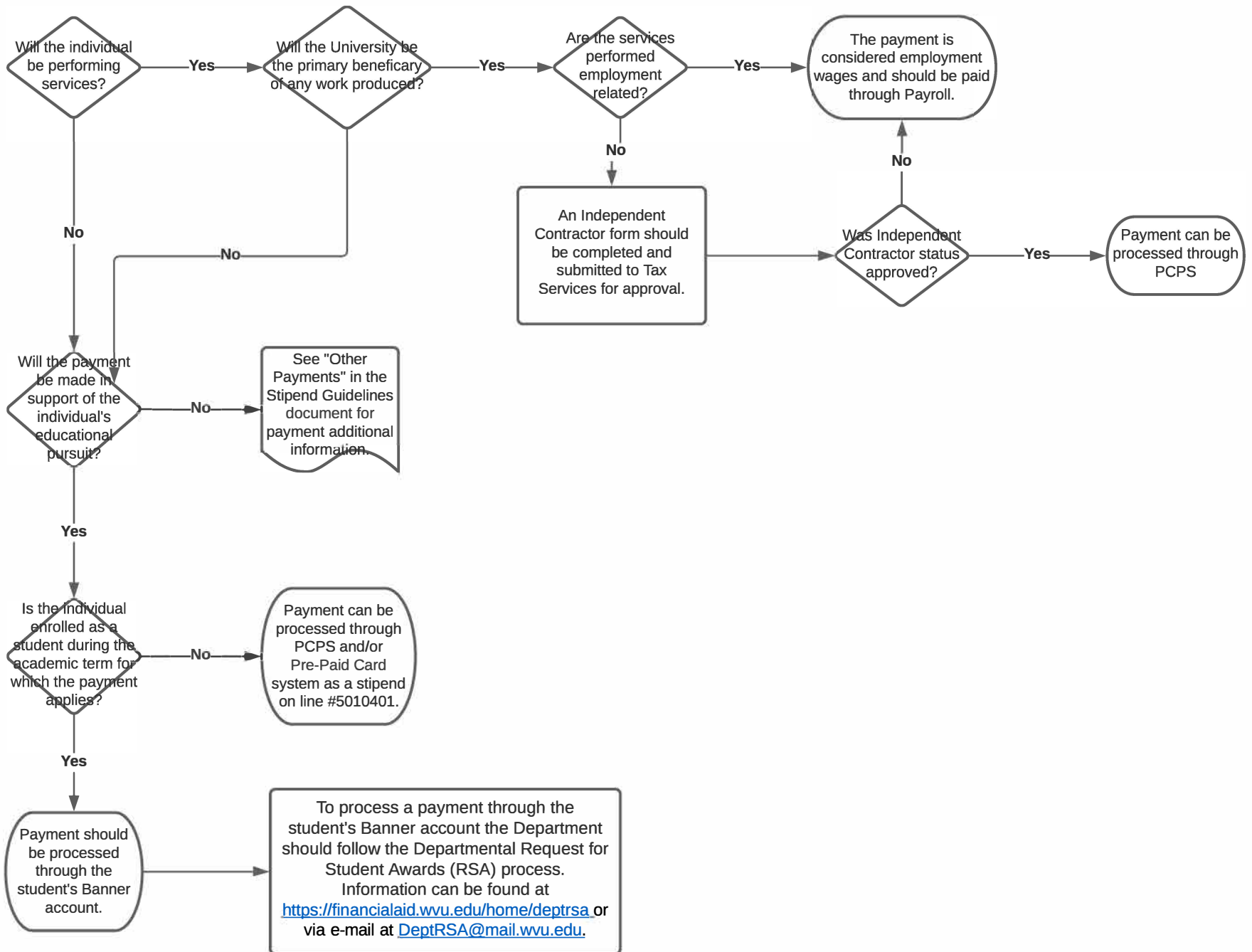
Non-Employment Compensatory Stipend Payments – For stipend payments that are for services rendered to the University and for which the University would be the primary beneficiary of any work product produced with any benefit to the individual being incidental but for which the situation would not be considered employment, payment should be made through Procurement, Contracting & Payment Services. All such payments to individuals require an Independent Contractor Determination form and a proper contract or agreement for services to be submitted and approved **prior** to the commencement of work. A Form 1099-NEC, *Nonemployee Compensation* will be issued to report payments made to approved independent contractors when the payments equal or exceed a specified threshold, currently \$600 during a calendar year. Regardless of the University's reporting responsibility, it is the recipient's personal responsibility to ensure that all potentially taxable income is reported on their individual tax return.

Non-employment compensatory stipend payments to be paid to any foreign national individual is potentially subject to Alien Tax (ATAX) for those who are considered a non-resident alien for income tax purposes. Additionally, payments to foreign national individuals who are not a WVU employee nor a WVU student can be considered a violation of status depending upon the nature of the payment. Departments should contact Tax Services at tax@mail.wvu.edu **prior** to the commencement of any work by a non-WVU foreign national individual to ensure that the individual is eligible to receive the payment without violation of their Visa status and/or to determine if the payment would be subject to ATAX.

Other Tax Considerations – All payments, including but not limited to employment wages, compensatory stipends, non-compensatory stipends, gift aid, human subject payments, etc., paid to an individual are considered potentially taxable income by the IRS. Depending upon the type of payment and the related reporting requirements, the University may or may not have a reporting obligation including issuance of Forms W-2, 1098-T, 1042-S, 1099-NEC, and/or 1099-MISC.

Regardless of the University's reporting responsibility, it is the recipient's personal responsibility to ensure that all potentially taxable income is reported on their individual tax return. For payments of non-compensatory educational related stipends whether paid to a WVU student or a non-WVU student, the following language is recommended by Tax Services to be included by Departments on both their web site and in any communication made with the individual regarding their non-compensatory stipend.

All non-compensatory stipend payments provided to individuals as aid in their educational pursuit is considered a potentially taxable income by the IRS dependent upon their individual tax situation and their related qualified educational expenses as defined by the IRS. For additional information regarding the taxability of non-compensatory stipends and other forms of gift aid, please see [IRS Publication 970](#) and/or irs.gov.



Stipend Determination Flowchart