

PAYMENTS TO STUDENTS

POLICY/PROCEDURE

The University makes various payments to students for tuition and fees, teaching, research, and other education-related activities. In awarding and processing such payments, care must be taken to classify these payments correctly for tax purposes. This policy addresses types of payments made to students, including scholarships, fellowships, prizes and awards, compensation for services, and reimbursements. Additionally, this policy defines which payments the University must report to the Internal Revenue Service (IRS) and the University department responsible for the reporting.

Reporting and taxation of student payments are governed by the Internal Revenue Code and Treasury Regulations and enforced by the IRS.

Scholarship/Fellowship Payments

A payment to a student is considered to be a scholarship if the funds are restricted to the payment of educational expenses. All scholarship/fellowship payments must be processed through Financial Aid. Authorization forms can be found on Financial Aid's website under Additional Resources>Faculty/Staff Forms, (<https://www.ou.edu/content/scholarships/resources/Forms.html>).

--Authorization for Department Scholarship and Fellowship Payments Form- look at the bottom of the form to determine where the form should be sent for initial approval.

--Authorization for International Departmental Scholarship and Fellowship Payments Form-Send to Financial Services (FS) for initial approval. FS will forward the form to Financial Aid once approved for processing.

Any necessary reporting on IRS Form 1098-T for scholarships will be done by the Bursar's Office. Any necessary reporting on IRS Form 1042-S for international students will be done by Human Resources.

Prizes and Awards Paid to Students

Prizes and awards are payments in recognition of charitable, scientific, educational, artistic, literary, or civic achievement, or are received as the result of entering a contest. Recipients are selected based on their actions to enter a contest, competition or proceeding. Drawing gifts or monetary payments are also classified as prizes. **Prizes and awards are always taxable, regardless of dollar amount.**

--Any prize or award paid to a student that is restricted and can only aid in paying for the student's education would be considered a scholarship. Scholarships must be processed through Financial Aid on a scholarship form (see above). In a case where a gift card that can only be redeemed at the Bursar's Office is given to a student, the Bursar's Office will report the information to Financial Aid.

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--Any prize or award paid to a student employee that is awarded based on the student's employment with the University should be handled through payroll as indicated in the section "Compensation for Services Related to Work" (see below). If the award is unrelated to the student's employment, it can be paid as indicated in the following paragraph for student non-employees.

--Any prize or award paid to a student that is not given specifically to aid in paying for the student's education (example, giving them cash to spend on whatever they want) should be processed through Crimson Corner (<https://cc.ou.edu/>) on a Payment Request Form (PRF). If necessary, Financial Services will report prize or award payments to Financial Aid. Another option, if OU Foundation funding is available, is to submit a payment request to pay directly through the OU Foundation.

Any necessary reporting of non-scholarship prizes and awards on IRS form 1099-Misc will be done by Financial Services to the extent the individual receives payments of \$600 or more within the calendar year. Any necessary reporting to an international student on IRS form 1042-S will be done by Human Resources.

Compensation for Services Related to Work

This category is defined as payments made for teaching, research and/or other activities performed for the benefit of the University, including activities for the University that may be associated with the student's course of study and educational experience. Payments received in connection with the performance of services by a student are taxable income, and may be subject to federal, state and FICA tax withholding.

--Any prize or award given to a student employee that is related to their position as an employee of the University is considered compensation for services related to work and should be processed by or reported to payroll. The department will report any prize or award to payroll.

--Payments to students for services rendered should be processed through Payroll.

Any necessary reporting of payments made to student employees on IRS form W-2 will be done by Payroll. Any necessary reporting of payments made to international student employees on IRS form 1042-S will be done by Human Resources. Any necessary reporting of prizes and awards to student employees (not related to their employment) on IRS form 1099-Misc will be done by Financial Services to the extent the individual receives payments of \$600 or more within the calendar year.

Student Reimbursements

Students who incur costs for approved activities that primarily benefit the University may be entitled to reimbursement. Student reimbursements for approved expenditures incurred are not considered reportable as taxable income to the IRS.

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--Reimbursements paid to students should be processed through Crimson Corner (<https://cc.ou.edu/>) on a payment form.

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