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# CLASSIFICATIONS FOR SCHOLARSHIPS, PRIZES, AND STIPENDS

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## Scholarship/Scholastic Award

**Scholarship:** Financial support based on academic achievement or other criteria that may include financial need. The donor or department funding the scholarship sets the criteria for recipient selection. The grantor specifically intends money be spent to defray the costs of tuition, books, room, board and other expenses directly tied to a student's education cost through the university. Scholarships are paid directly to or on behalf of an individual for the purpose of aiding study, training, or research and do not represent compensation for services. The individual must not be required to work in a lab or other place, directly benefiting the grantor, to retain the funds. Proceeds of the scholarship offset the cost of the student's education for an upcoming or current academic year, depending on when the student receives the funds.

Example: Colleges, Departments, and Schools select recipients based on the criteria of the scholarship agreement (major, grade level, grade point average, financial need, or a combination of other restrictive criteria). Credit for the scholarship is reflected on the student's account for cost of attendance.

**Scholastic Award:** Recognizes exceptional performance or special achievement, etc., specifically related to a student's academic process or performance. Awards to students are applied to tuition, required fees, books, and equipment.

**Summer Undergraduate Internship Programs:** Payments for enrichment programs sponsored during the summer months for USA students who participate as an educational experience. Payments of this type must be preapproved prior to launch. Only programs that have no work requirements, with a benefit to the student and not to the university, may be processed in this manner.

**Tax Implication:** Portions of the scholarship used to pay for qualified expenses, such as tuition, required course books, and required course fees, are not taxable income. The amount exceeding qualified expenses is taxable income for both US and international students. There is no tax withholding on scholarships for US citizens.

All scholarships and awards that meet the IRS definition of a tax-free scholarship and or fellowship must follow traditional university awarding processes, must be reported through Financial Aid and must be included on the student's record. Refunds, if eligible, will be issued through the Office of Student Accounting.

For International students, taxes may have to be withheld on all of these forms of payments. There may be a 14% tax withholding for international students, depending on their home country.

## Prize

**Definition:** Recognition of performance as part of a judged competition. Academic performance in the classroom is not a characteristic or criteria in the decision making process. There must be no direct or indirect relation to a student's grade, course outcome, or major. Award is not required to be used to defray cost of student's educational expenses. The prize award may not be treated as a scholarship and therefore the entire amount of the prize is taxable and reportable.

Example: A competition is held and prizes for 1st, 2nd, and 3rd places are awarded to students.

Authorized competitions that will result in the payment of a prize to a student must be approved prior to the competition itself. Payment of prizes to students will not be authorized without this prior approval. Please contact the Office of Scholarship Services for information.

### **Non-employee payments:**

- Will be made through the university's accounts payable procedures.
- US citizens will be required to manage the taxable income on their tax return. A 1099-MISC will be issued for amounts of \$600 or more.
- International students will have a 30% tax withholding reported on a 1042-S form, except in cases where an income tax treaty provides for a different tax rate.

### **Employee Payments:**

Regular employee prize payments must be made through the university's payroll process, where all applicable income and employment taxes will be withheld. These types of payments are required to be reported on the employee's W-2 form.

## Stipend Associated with Assistantship

Stipends (sometimes also called compensatory scholarship or compensatory stipends) are payments to employees as a lump sum payment or fixed amount over the contract period as compensation for services. For example: researcher, teaching assistant, or graduate assistant. The individual must be an employee and the payments are made through the payroll system. The income is reported on a Form W-2 and is subject to all applicable income and employment tax withholdings.

- An academic job held by a student, which involves pay for services rendered. Either graduate or undergraduate.
- The department providing the assistantship determines the nature of the duties – but they specifically benefit the institution.
- Graduate Assistantships that are classified as Teaching Assistantships (TA) or Research Assistantships (RA) may also receive a full or partial tuition waiver that is tax exempt.
- Graduate Assistantships that are not classified as Teaching and Research Assistantships may receive a full or partial tuition waiver – but these are taxed as benefits and included as income.
- A stipend may be paid to Research Assistants for the performance of teaching duties and vice versa – a Teaching Assistant may receive a stipend for Research duties. (research is typically not related to the student's thesis research)