

**Financial Policy & Procedure Instructions Manual
FPI D-6 Payments to Students**

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I. PURPOSE

Payments to students often have implications for financial aid and/or tax reporting. This financial policy and procedure instruction provides guidance for determining the proper mechanism for various types of payments to students of the University.

II. DEFINITIONS

- A. **Compensation:** Compensation is an amount paid to a student in return for services rendered. Stipends and honorariums constitute compensation since they are payments received in return for services rendered.
- B. **Scholarships:** Scholarships are amounts paid to, allowed to, or for the benefit of, a student (undergraduate or graduate) to aid such individual in pursuing his or her studies. Scholarship payments are based on future or continuing educational activity. Scholarships are not compensatory and do not require the performance of a service.
- C. **Fellowships:** A fellowship is an amount paid to, allowed to, or for the benefit of, a student to aid him or her in the pursuit of research. Fellowships are based on

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future or continuing research activity. Fellowships are not compensatory and do not require the performance of a service.

- D. **Prizes and Awards:** Prizes and awards are payments made to individuals in recognition of some past accomplishment or activity, including academic achievements in an educational, literary, artistic, or scientific field. Prizes and awards are not awarded with the intent to finance any future activities of an individual and no conditions are imposed on the manner in which the prize or award may be expended by the recipient. For purposes of this Financial Policy and Procedure Instruction, there is no difference between a "prize" and an "award". The term "award" will be used exclusively henceforth. All awards require a written statement signed by the appropriate college dean or vice president and documenting the purpose of the award, criteria for eligibility, and selection procedures.
- E. **Crisis Grants and Consolidated Short Term Loans:** Crisis grants and short-term (emergency) loans are a nominal amount of money paid to students who face serious financial hardships due to unanticipated expenses. Grants generally are not repaid, but loans must be repaid.

III. POLICY

- A. **General** - It is the policy of the University to comply with all applicable State and federal laws and regulations including those related to financial aid and tax reporting for payments to students. The nature and substance of the payment are the determining factors for proper classification, rather than the form of payment. University employees who approve payments to students must understand the nature of the payments and the contents of this policy. If there is any question about classification, the approver must seek additional assistance from the resources cited in sections B-E below.
- B. **Compensation** - Compensation for services performed by student employees, including graduate assistant stipends, is paid through the University payroll system. For additional information regarding student employment and payroll, contact the Human Resources Department - <http://www.hrs.colostate.edu/index.html>. Compensation to students who are independent contractors is paid through the University accounts payable (vendor) payment process. Contact the Accounts Payable Department - <http://www.colostate.edu/Depts/BusFin/ap.html>. For assistance in determining independent contractor status, refer to pages 1-7 of the Human Resource Services Manual - <http://www.hrs.colostate.edu/manual/>. The Student Payment Processing Quick Guide – FPI K-2 provides additional guidance for proper payment classification.
- C. **Scholarships and Fellowships** - Many types of scholarships and fellowships exist. Contact Student Financial Services - <http://sfs.colostate.edu/> for additional information about required policies for scholarships and fellowships. The Student Payment Processing Quick Guide provides additional guidance for proper classification.
- D. **Awards** - Student awards are given to recognize academic, literary, artistic, or scientific excellence or achievement. Awards are based on past accomplishments or activities, but not the performance of services to the University. Awards do not require future or continuing educational activity. Student awards must clearly recognize excellence or accomplishments directly related to the official goals and mission of the University. Otherwise, they may be construed as gifts or donations to students (or on behalf of students), which are strictly disallowed by State policy. Awards must be approved by the appropriate college dean or vice president.
 - 1. **Requirements:** All awards require a written statement signed by the appropriate college dean or vice president and documenting the purpose of the award, criteria for eligibility, and selection procedures.

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2. **Categories:** Student awards are classified into the following three categories:
 - a. **Token awards.** These are non-cash mementos valued at \$100 or less (for any one individual in any calendar year). They may consist only of appropriate tangible property, never cash or cash equivalents such as gift certificates.
 - b. **Material awards.** These are non-cash items valued over \$100 (for any one individual in any calendar year). They may consist only of appropriate tangible property, never cash or cash equivalents such as gift certificates.
 - c. **Cash awards.** Cash awards of any amount. Cash awards must be for the stated award amount and may not be increased to offset the effect of required withholding.
3. **Tax reporting:** Internal Revenue Service withholding requirements differ for students who are CSU employees and those who are not employees. Students who are not CSU employees who receive awards exceeding a fair market value of \$600 in the course of one calendar year are subject to IRS form 1099 reporting rules. All awards (except token awards) to student employees constitute taxable wages subject to applicable tax and reporting requirements. This requirement applies even if the student's University employment is unrelated to the award.

Contact Accounts Payable -

<http://www.colostate.edu/Depts/BusFin/ap.html> with questions about paying awards to students. The Student Payment Processing Quick Guide – FPI K-2 provides additional guidance for proper classification.

- E. **Crisis Grants and Loans** - University funds may not be donated or loaned to students except through official programs administered by Enrollment Services - <http://kiowa.colostate.edu/cwis390/>.

IV. PROCEDURES

- A. **General** - Specific procedures for making payments for students' compensation, scholarships, fellowships, crisis grants, and loans are available from the offices cited in the Policy section (III above).
- B. **Awards** - Procedures for making payments for the three categories of awards to students are as follows.
 1. **Token awards:**
 - a. **Procurement.** Arrange purchases with a DPO, PR/PO, or IMO as appropriate (see the Purchasing Manual) - <http://www.purchasing.colostate.edu/pmanual.html>.
 - b. **Documentation.** All documents submitted for payment must identify the recipient's name, Taxpayer Identification Number (usually a social security number), and include the written statement identified under Policy section III.D.1 above.
 - c. **Subcodes.** 5020-5029 must be used for awards to students who are employees. 5030-5039 must be used for awards to students who are non-employees.
 2. **Material awards:**
 - a. **Procurement.** Arrange purchases with an IMO, DPO, or PR/PO as appropriate (see the Purchasing Manual).
 - b. **Documentation.** All documents submitted for payment must identify the recipient's name, Taxpayer Identification Number

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(usually a social security number), and include the written statement identified under Policy section III.D.1 above.

- c. **Subcodes.** 5020-5029 must be used for awards to students who are employees. 5030-5039 must be used for awards to students who are non-employees.

3. **Cash awards:**

- a. **Procurement.** For all awards of cash (check), submit a memo to the Payroll Office. The Payroll Office will research whether the recipients are University employees or not. If an award recipient is an employee, the award's amount is added to the employee's regular salary, subjected to normal withholding, and paid on the usual payday. If a special check is required, the sponsoring department must notify Payroll at least two weeks in advance. If the award recipient is a non-employee, a special check will be prepared. Do not increase the award amount in an attempt to offset for required withholding.
- b. **Documentation.** The memo submitted to Payroll must include the recipients' taxpayer identification numbers and the written statement identified under Policy section III.D above. Clearly note the specific name of the award.
- c. **Subcodes.** 2705 must be used for all employee cash awards; 5030-5039 must be used for awards to students who are non-employees.