

## **Institute Policy for Scholarship/Fellowship Payments And the Payment of Prizes/Awards to Students**

### **Statement of Policy:**

To ensure that Georgia Institute of Technology is in compliance with all Federal, State, private, and Institutional policies, the Office of Scholarships & Financial Aid (OSFA) must be aware of all types of student assistance (federal, school, state, private, etc.) received by students regardless of the source.

- 1) All monies awarded to students must be administered in a way that ensures any information the school receives is communicated to and coordinated by the Office of Scholarships & Financial Aid (OSFA) in collaboration with the Bursar's Office.
- 2) Awards must comply with all fund specific requirements/restrictions.
- 3) Students must be enrolled in course work to be eligible to receive the payment. Payments requested for any non-current term either past or future, co-op, or internship work periods must be reviewed/approved by the Director of OSFA.
- 4) If required, awards will be adjusted to resolve any over award situations, including adjustments to awards that exceed the student's total cost of attendance.

**Definitions:**

**Student:** A student is defined as an individual who is enrolled at Georgia Tech during the term academic year in which payment is intended.

**Scholarship:** A scholarship is defined as any amount paid to an undergraduate student “for the purpose of aiding his study, training, or research,” and does not represent compensation for personal services. The grantor/donor specifically intends the funds to be spent by the grantee to defray the expenses of the student’s studies. Funds received by the Institute for this purpose will be recorded in projects beginning with 997 in the Institute's Financial System.

**Fellowship:** A fellowship is defined as any amount paid to a graduate student “for the purpose of aiding his study, training, or research,” and does not represent compensation for personal services. The grantor/donor specifically intends the funds to be spent by the grantee to defray the expenses of the student’s studies. Funds received by the Institute for this purpose will be recorded in projects beginning with 998 in the Institute's Financial System.

**Stipend:** A stipend is defined as a fellowship/scholarship payment that is either a one time or multiple disbursement during a term; requires the recipient to perform tasks or submit required deliverables to be eligible for payment; **or** is specified by the Donor as a stipend. These payments will be disbursed from the corresponding project beginning with 998(fellowship) and account 782000 and 997(scholarship) and account 782000.

**Tuition & Fees:** Tuition and Fees is defined as a fellowship payment made to the student by funds specifically earmarked to pay towards a student’s cost of tuition and Institute mandated fees, either in full or the differential amount along with a waiver in which the total of the award does not exceed the student’s cost of tuition and Institute mandated fees. These payments will be disbursed from the corresponding project beginning with 998 and account 782200.

**Allowance:** An allowance is defined as a fellowship payment made typically as a reimbursement for costs the student incurs that are not qualified as tuition and fees or as a stipend payment. This includes health insurance, lab equipment, computers, etc. These payments will be disbursed from the corresponding project beginning with 998 and account 782100.

**Prize/Award:** A prize/award is defined as a payment made to a student in the nature of an award or recognition for some sort of special achievement, special skill, special knowledge, or special renown in a certain area, or can represent an award won in a contest of some sort. An example of an award would be an award for the best poster. When paying an award, the grantor/donor does not specifically intend that the grantee spend the award amount “for purpose of aiding his study, training, or research”. Funding should come from sources that permit the award payment, such as

Georgia Tech Foundation and Georgia Tech Research Corporation, etc. NO STATE FUNDS ARE ALLOWED TO PAY PRIZES AND AWARDS. These funds will be disbursed from the appropriate project and account 751120 (not allowed through projects beginning with 997/998 unless payments meet exception below). Awards made to students are considered income and will incur the appropriate tax treatment.

*Exception: Please note that awards can also be included in the category of scholarship/fellowship if the grantor/donor specifically intends for payment to offset or defray the expenses of the student's studies.*

**Cost of Attendance (COA):** COA is defined as the sum of educationally related expenses for each term. COA is determined annually by the Office of Scholarships & Financial Aid based upon components defined by the US Department of Education and applied to all funds administered by and/or through OSFA.

**Student employee:** A student employee is defined as a Student who was employed in some capacity during the current calendar year in which prize/award payment is being requested.

### **Student Payment Request Procedure:**

All requests for payments to students will be reviewed by the Office of Scholarships and Financial Aid and paid as follows:

**Scholarships/Fellowships (payments being requested from funds classified in projects beginning with 997/998 in Institute Financial System)** will be awarded and disbursed by the Office of Scholarships and Financial Aid utilizing the Banner Student System. These payments will be applied to the student's account. All awards will be reviewed to determine if any adjustments must be made to previously awarded financial aid. The federally funded loan programs are the most common program requiring adjustments. Please complete the following [form](#) for making these requests.

**Prize/Awards (payments being requested from funds NOT classified in projects beginning with 997/998 in Institute Financial System)** are considered income and the procedures below will be followed.

- **Student employees:** If payment is being requested for a student employed by GIT in the current calendar year, then disbursement will be made by Georgia Tech Payroll Department and is subject to federal and state income tax withholdings. Please complete the following [form](#) for making these requests.
- **Student non employee:** If student is NOT an employee in the current calendar year, then the payment will be disbursed by the Bursar's Office through the Banner Student System and applied to the student's account. The recipient may receive a 1099 form if annual payments meet/exceed certain levels as established by the IRS. Please complete the following [form](#) making these requests.

## **Internal Revenue Service Resources related to student payments.**

### **U.S. Citizens or Resident Alien Student Payments**

(Any tax responsibility under the IRS regulations belongs to the student.)

- A student who receives a scholarship/fellowship payment for which they are not required to perform services may exempt the portion of the award that is used for qualified tuition and related expenses. Any portion of the award used for other expenses, such as room and board or travel, is considered part of the student's gross income and must be reported on their individual tax return.
- Payments received by a student for prizes and awards are considered income. If payment is made to an employee then payment will be subject to federal and state income tax withholdings. If payment is made to non employee then the recipient may receive a 1099 form if the annual payments meet/exceed certain limits.

For more information on tax obligations related to scholarship/fellowship/prize/award payments made to U.S. Citizens and Resident Aliens can be found below.

<http://www.irs.gov/publications/p970/ch01.html>

### **Non U.S. Citizens Student Payments**

- Nonresident alien students receiving Scholarship/Fellowship payments that do not represent compensation for services is reportable by the Institute to both the IRS and the student on IRS Form 1042S. The portion of the fellowship/scholarship used for qualified tuition and related expenses is exempt from U.S. tax. The remaining portion of the payment is subject to tax and is considered part of the student's gross income and must be reported on their individual tax return. The Institute will withhold tax at the rate of 14% on this taxable portion unless the award is exempt under a tax treaty between the U.S. and the student's home country. The student must supply the Institute with IRS Form 8233 in order to claim the benefit of a tax treaty.
- Payments received by a student for prizes and awards are considered wages. If payment is made to an employee then payment will be subject to federal and state income tax withholdings. If payment is made to non employee then the recipient may receive a 1042S form if the annual payments meet/exceed certain limits and the Institute will withhold tax on the taxable portion of this payment.

For more information on tax obligations related to scholarship/fellowship/prize/award payments made to Non resident alien students can be found below.

<http://www.irs.gov/businesses/small/international/article/0,,id=129249,00.html>

### Student Payment Process Flow

