



The University of Vermont

Policy V. 4.16.1

Responsible Official: Vice President for
Finance and Treasurer

Effective Date: February 2, 2015

Payments to Students

Policy Statement

This policy identifies transactions to students which are considered scholarships with respect to Federal Student Aid (FSA) Programs authorized by Title IV of the Higher Education Act of 1965, as amended, (HEA) and the Internal Revenue Code.

Reason for the Policy

The University of Vermont is adopting this policy in order to ensure compliance with the FSA Program and Internal Revenue Service regulations regarding University payments to students which may include payment for services, reimbursements, scholarships, prizes and awards.

Applicability of the Policy

This policy applies to all University of Vermont (UVM) faculty and staff who are responsible for the facilitation of any payment or transaction to a student. This policy applies to transactions to or for all students, including non-degree students and matriculated degree students, and includes transactions made during the summer to or for individuals who were enrolled in the preceding spring term or who will be enrolled in the upcoming fall term.

Policy Elaboration

While attending UVM, students may be the recipient of payments, reimbursements, awards, or other transactions from various University departments or entities. How the transaction is processed, its impact (if any) on the student's financial aid eligibility, and any applicable tax withholding and/or income reporting requirements for the transaction are determined based on whether the transaction is: Compensation, Prize, Payment/reimbursement for University business, or Scholarship as defined in this policy.

The individual initiating any transaction to a student and the Dean, Director or Department Head of the academic or administrative department requesting such a transaction are responsible for ensuring that the transaction complies with this policy and, in the case of transactions funded by gifts to the University, that the transaction and any process for selecting the recipients comply

with the requirements of the donor in accordance with the Restricted Gift Fund Administration Operating Procedure.

The intent of a transaction, not the name or form of payment, determines whether a transaction is considered compensation, prize or scholarship and any financial aid and/or tax implications of the transaction. According to FSA Program regulations, payments that students receive because of postsecondary enrollment, or to cover postsecondary education expenses, are considered estimated financial assistance (scholarship) and may have financial aid implications. As a result, unless a transaction to a student is compensation, a prize, or is made as a result of the student being engaged in University business, the transaction is considered scholarship and unless specifically exempted must be reported to Student Financial Services.

In general, a student's total financial assistance (from federal and non-federal sources) may not exceed the student's financial need. Receipt of scholarship assistance may reduce a student's eligibility for federal and/or institutional loans, grants, scholarships and/or work study with the specific impact determined based on each student's individual financial circumstances and financial aid eligibility. UVM is liable for any overpayment or over-award made to an individual student and must immediately resolve the overpayment/over-award. Failure to comply with these regulations may result in institutional fines and loss of federal funding.

Transactions Considered Compensation for Services

In some cases, it must be determined whether a transaction is compensation for services rendered or scholarship. In these cases, the primary purpose and primary benefit of the transaction determines whether the transaction is scholarship or compensation. If the primary purpose of the transaction is to compensate the student for services provided to the University, and/or the primary beneficiary of the student's activities is the University, then the transaction is compensation and is not scholarship. However, any payment of a student's direct educational expenses (e.g., tuition, fees, books, room and board) is considered scholarship even if provided in lieu of wages.

Evidence that a payment is compensation could include:

- The University has direction and supervision over the student's activities;
- The student's study/research is primarily for the benefit of the University (e.g., the student is working on a faculty member's research project);
- The payment is for past, present or future services (except in the case of a National Health Service Corps or Armed Forces service scholarship);
- The student must provide a substantial quid-pro-quo in exchange for the payment;
- Someone else would have been hired to do the work if the student were not doing it;
- Payment is contingent upon the student completing a body of work or activity for the University and payment can be withdrawn or suspended if the student discontinues their work or engagement in the activity.

The fact that a student must submit periodic reports to the University is not by itself evidence of compensation. In general, if the statements above are not applicable, if the University is

relatively disinterested in the student's activity, or if the sole criterion for receipt of payment is that the student be enrolled in good standing, then the transaction is scholarship.

Student Employees

In addition to being a student, an individual may also be an employee of the University. When an individual is both a student and an employee, before any payment or reimbursement is issued, the department must determine whether the individual is being paid/reimbursed/recognized primarily as a student or as an employee.

If the primary purpose of the payment is to compensate or recognize the student for their employment service to the University then the student is being paid as an employee.

Transactions to student employees made on the basis of the student employee's employee status are not considered scholarship except for payment of a student's direct educational expenses (e.g., tuition, fees, books, room and board), which is considered scholarship even if provided in lieu of compensation for employment.

Payments for Travel

If the individual is being reimbursed for travel, and the primary beneficiary of the travel is the University, then the individual traveled as an employee on behalf of the University. Evidence that travel primarily benefits the University could include:

- The department routinely or regularly has staff travel under similar circumstances (e.g., a department regularly sends staff to a certain conference and has sent a student-employee to this conference);
- The travel supports a core function of the employing department or directly relates to a core function of the individual's job;
- Other staff in the employing department will benefit from the individual's travel (e.g., from knowledge or resources the individual is expected to share with staff upon their return).

Payments Offsetting Educational Expenses

Transactions which reimburse students for incurred expenses are a form of scholarship unless the student incurred the expenses while on official University business or as a University employee. A student may be eligible for a financial aid cost of attendance increase if the expenses were educationally related. Requests to increase a student's cost of attendance are evaluated on a case-by-case basis.

Payments Offsetting Research Expenses

To facilitate student access to, and appropriate oversight over, research awards, Student Financial Services and the Disbursement Center may approve University-sponsored research procurement programs to administer funding to students for authorized research expenses

through the Disbursement Center. Such payments are considered scholarship and will be reconciled with the student's financial aid award at regular intervals determined by Student Financial Services.

In order to be considered for payment of research scholarship funds via the Disbursement Center, a research program must:

- Be a recurring program which regularly funds student research;
- Be a University recognized research program with student research conducted under faculty or University oversight;
- Provide funding for student-directed research which meets the definition of scholarship;
- Provide appropriate oversight of student expenses
- Require that students submit a detailed budget with their application for research funding and provide a copy of the student's budget to Student Financial Services upon request;
AND
- Not provide any allowance for basic room, board or personal expenses. (The program may provide for reimbursement of specific travel expenses necessary for the research project.)

Approval for payment of research scholarship funds via the Disbursement Center requires prior approval by both Student Financial Services and Disbursement Center.

Participation Incentives and Give-a-ways

From time to time, University offices or organizations may offer incentives and give-a-ways to encourage and reward community participation in various activities, ensure sufficient participation in a study or event, incentive action on the part of community members, and/or promote an event or organization. Students may be the recipients of such incentives and give-a-ways. Whether such items are considered scholarship, and whether they are reportable, depends upon the circumstances of the award, the audience of potential recipients, and the dollar value of the item.

- If the audience of potential recipients is limited to UVM students – that is, only a UVM student could have received the item – the item is considered scholarship. In recognition that participation incentives are infrequent, generally are not a resource which students can use to pay for their cost of attendance, and are generally of such a small dollar amount as to make accounting for them unreasonable and administratively impracticable, give-a-ways and participation incentives which are considered scholarship are reportable to Student Financial Services only if:
 - The value of the item exceeds \$100 OR;
 - The item is cash, a pre-paid credit/debit card not specific to any merchant, a CATCard deposit, a textbook, a computer, or a similar electronic device such as a tablet; OR
 - The item is provided specifically to assist with educational expenses (such as a gift card specifically to purchase required textbooks).

- If the audience of potential recipients is not limited to UVM students – that is any member of the UVM community or any member of the public-at-large could have received the item – the item is not a scholarship and is subject to reporting to Human Resource Services (for employees) or the Disbursement Center (for non-employees) in accordance with the University’s Operating Procedure on Awards, Prizes and Winnings (<http://www.uvm.edu/policies/acct/prizes.pdf>).

Scholarship Academic Year and Term

In general, a scholarship’s academic term is the term in which payment is received (i.e., a payment received during the fall term is a fall scholarship). However, if a scholarship is to be applied toward educational expenses for a certain academic term, then the scholarship carries the academic term to which the expenses apply (i.e., if a payment is made to cover fall tuition, then the payment is a fall scholarship even if it is received in July).

Scholarships will be recorded for financial aid purposes in a term in which the student is not enrolled if:

- The scholarship is reimbursement for expenses incurred during that period; or
- The scholarship is in support of student research or documented academic/educational activity occurring during that period.

Payment Processing – Student Financial Services

Scholarship payments processed through Student Financial Services will result in a credit for the specified amount on the student’s UVM student account. If the incorporation of the scholarship into the student’s financial aid award resulted in a reduction in other aid, the scholarship payment may be offset by a reduction in other aid. Any net credit will be applied first toward any outstanding balance due on the student’s account for the current or any prior terms. If the scholarship results in a credit balance, a refund will be issued following the University’s standard credit balance refund process.

Tax Liability

Scholarships may be tax-free if the student is a candidate for a degree and meets criteria established by the Internal Revenue Code.

In general, a financial payment may result in a tax liability, even if characterized as “scholarship”, if (1) the student is not a degree candidate; (2) the scholarship is to pay non-qualified expenses (including room and board); (3) the scholarship – alone or in combination with other scholarships – exceeds qualified expenses; (4) the scholarship is compensatory payment for teaching, research or services; or, (5) the scholarship was won in a contest and does not have to be used for educational purposes.

For U.S. citizens and resident aliens, scholarships are not subject to tax withholding but must be captured by the University for 1098-T Tuition Statement reporting. For a student who is a

Nonresident Alien for US income tax purposes, the nonqualified portion of the scholarship is reportable by the University via Form 1042-S.

Prizes are taxable to the recipient and are reported by the University for US citizens and resident aliens for US income tax purposes via Form 1099-Misc only to the extent that the payment exceeds \$600, or regardless of dollar amount via Form 1042-S if the recipient is a Nonresident Alien for US income tax purposes.

Any student who receives a scholarship or prize should refer to IRS Publications [970](#) and [525](#), respectively, and their tax professional, to determine any tax liability.

Definitions

Compensation: Any form of payment to a student in recognition of a student's employment service for the University.

On behalf of the University: See University Business

Prize: Any form of award or payment to a student who has entered and won a judged competition **which was demonstrably open to both students and non-students**. In order for a payment to a student to be considered a prize, there must have been a real possibility for non-students to have entered the competition and won the prize. **If only UVM students were eligible to enter and win the competition, the transaction is a scholarship.** An example of a prize would be a drawing for a gift certificate where everyone who attends an open lecture is entered into the drawing.

Scholarship: Any form of award, payment, reimbursement or other transaction to a student which is made because of the student's post-secondary enrollment or for the purpose of aiding his/her study, training, or research, including but not limited to payments toward tuition, fees, books, living expenses, travel expenses, etc.

Stipend: A payment to a student in connection with educationally related activities. The individual circumstances of a stipend must be considered in determining whether it is a form of compensation or a form of scholarship.

University Business: Travel or service which primarily benefits the University. University business includes: Student travel to officially represent the University by presenting at a conference or competing in an academic or athletic competition; Travel to formally and specifically assist a faculty or staff member representing the University in his/her official capacity; Purchase of supplies which become property of the University; Travel as an employee; SGA, SGA-recognized club, and IRA business in accordance with their respective charters (other than payment of educational expenses such as tuition and fees). Note that unless traveling as an employee, a student traveling to attend – but not present at – a conference is not traveling on University business but rather in furtherance of his or her own education.

Procedures

See University Payments to Students Resources
<http://www.uvm.edu/~stdfinsv/paymentstostudents/>

Forms

Check Request
<http://www.uvm.edu/~cntrlrs/?Page=forms.html>
Prize Certification Form
http://www.uvm.edu/~cntrlrs/forms/prize_cert.pdf
Request for Payment of a Scholarship to a Student
<http://www.uvm.edu/~stdfinsv/paymentstostudents/>
University Business Certification Form
http://www.uvm.edu/~cntrlrs/forms/univ_bus_cert.pdf

Contacts

Questions related to the daily operational interpretation of this policy should be directed to:

Student Financial Services
(802) 656-5700

The Vice President for Finance and Treasurer is the official responsible for the interpretation and administration of this policy.

Related Documents/Policies

Awards, Prizes, and Winnings Procedure
<http://www.uvm.edu/policies/acct/prizes.pdf>
Restricted Gift Fund Administration Operating Procedure
<http://www.uvm.edu/policies/advance/restrictgift.pdf>
Travel Policy
<http://www.uvm.edu/policies/travel/travel.pdf>
Undergraduate Student Employment and Federal Work-Study University Operating Procedures
http://www.uvm.edu/policies/student/ug_employ.pdf
University Payments to Students Resources
<http://www.uvm.edu/~stdfinsv/paymentstostudents/>

Effective Date

Approved by the President February 4, 2015