



The University of Vermont

Policy V. 4.3.6.2

Responsible Official: Senior Vice  
President and Provost

Effective Date: February 7, 2011

---

## Awarding Scholarships and Prizes

---

### Policy Statement

This policy is designed to identify how the University of Vermont awards scholarships and prizes with respect to Federal Student Aid (FSA) Programs authorized by Title IV of the Higher Education Act of 1965, as amended (HEA) and Internal Revenue Code as amended.

### Reason for the Policy

The University of Vermont is adopting this policy in order to comply with federal regulations regarding the application and treatment of scholarships and prizes on a consistent and uniform basis with respect to Federal Student Aid (FSA) Programs authorized by Title IV of the Higher Education Act of 1965, as amended (HEA) and Internal Revenue Code as amended.

### Strategic Direction

This policy supports the following goal in the University's Strategic Plan:

[http://www.uvm.edu/president/strategic\\_planning/Strategic%20Plan%202009-2013.pdf](http://www.uvm.edu/president/strategic_planning/Strategic%20Plan%202009-2013.pdf)

- *Institutional Efficacy*: As an institution, model the highest standard of ethical conduct, accountability and best practice, public service, and strong commitment to lifelong learning.

This policy supports this goal in two ways. First, by ensuring compliance with Federal Student Aid (FSA) Programs regulations, this policy minimizes any risk to the University of losing access to those funds. Second, by standardizing the way in which scholarships and prizes are processed throughout the University, this policy reduces waste and duplication of effort of various departments throughout campus.

## **Applicability of the Policy**

This policy applies to all University of Vermont faculty and staff who are jointly or individually responsible for the facilitation of any scholarship or prize to a University student.

## **Policy Elaboration**

Students receive payments, reimbursements, awards or other forms of transactions while attending UVM. Different administrative offices process these transactions depending on their nature: Scholarship, Compensation or Prize. The head University official of the specific administrative department administering a Scholarship, Compensation or Prize (i.e. dean, department chair, etc.) is responsible for ensuring the recipient meets the requirements stipulated in the terms of the Scholarship, Compensation or Prize, including the process for selecting the recipient. Federal financial aid and income tax laws and regulations determine the method of payment, and any applicable tax withholding and/or income reporting requirements for these payments.

The head University official of the specific administrative department administering a Scholarship, Compensation or Prize (i.e. dean, department chair, etc.) is responsible for ensuring the recipient meets the requirements stipulated in the terms of the Scholarship, Compensation or Prize, including the process for selecting the recipient.

### Financial Aid Implications of Awarding Scholarships and Prizes

UVM receives annually more than \$51 million in funding under Title IV to assist students with their educationally related expenses. Federal regulations require schools to determine how any fund that a student receives should be treated. If a student receives a form of assistance because he or she is enrolled in postsecondary education, or if the assistance is to pay for postsecondary educationally related expenses, the fund must be treated as a resource and be counted in the total estimated financial assistance a student receives. The general rule is that the students' total aid (federal and non-federal) may not exceed the students' demonstrated financial need (Cost of Attendance less the Expected Family Contribution). 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 that is made to an individual student and must immediately resolve the overage (Title 34 of US Code of Federal Regulations, part 673.5) Failure to comply with these regulations may result in institutional fines and loss of federal funding.

## Federal Taxation of Scholarships and Prizes

Scholarships are not taxable to the extent they do not exceed the cost of tuition and required fees, books and equipment. Amounts in excess of these requirements may be taxable to the student according to IRS guidelines.

For students who are US citizens or resident aliens, there are no reporting or tax withholding requirements for Scholarships issued by the University, however, the University must capture such scholarship payments for Form 1098-T, Tuition Statement, reporting.

Prizes are taxable to the recipient, but are reportable by the University for US income tax purposes only to the extent that they exceed \$600, or if the recipient is a Nonresident Alien (NRA) for US income tax purposes.

## **Definitions**

*Compensation:* is any form of payment to a student in recognition of a student's employment service for the University. Forms of compensation must be processed through the Office of Human Resources.

*Fellowship:* is a common way of referencing a Scholarship given to support a student's research, usually at the graduate level. Note: remuneration for performing research for the University is a form Compensation, not Fellowship.

*Grant:* is a common way of referencing any Scholarship that does not have to be repaid by a student.

*Loan:* is a common way of referencing any form of Scholarship that must be repaid by the student.

*Merit:* is a common way of referencing any form of Scholarship awarded based on academic performance criteria or other performance criteria.

*Need:* is a common way of referencing any form of Scholarship awarded based on the students' demonstrated financial need. Title IV defines need as Cost of Attendance less the Expected Family Contribution.

*Prize:* is any form of award or payment to a student who has entered and won a judged competition. Examples include raffles, contests and competitions for the best engineering design, the best short story, the top musical performance, the top poster competition, etc. Note: Historically, the terms "prize" and "award" have been used by departments for payments distributed to students during the academic year, most notably on Honors Day. Unless the student entered and won a judged competition, such payments are Scholarships, not Prizes.

*Scholarship:* is any form of award, payment, reimbursement or other transaction to a student for the purpose of aiding his/her study, training, or research, including but not limited to payments towards tuition, fees, living expenses, travel expenses, etc. Scholarships must be processed through the Student Financial Services for financial aid considerations.

## **Procedures**

### Requesting Payments to UVM Students

For Scholarships to UVM Students – To award a Scholarship to UVM students, complete the "Request for Payment of a Scholarship to a Student" Form (see Forms section of this policy) and send to UVM's Scholarship Coordinator who will work with Student Financial Services to coordinate payment through the Banner system.

For Prizes to UVM Students – To award a Prize (payment for winning a judged competition) to UVM students, complete a Check Request Form and "Request for Payment of a Prize to a Student" Form (see Forms section of this policy) and send to Procurement Services.

For Compensation Payments to UVM Student-Employees – To reward a UVM student in recognition of his/her employment services, contact Human Resources (Payroll) at 656-3150 for guidance as this would be considered additional compensation (see Awards, Prizes, and Winnings Policy).

### Requesting Payments to Non-UVM Students

For Scholarships to Non-UVM Students – To award a Scholarship to non-UVM students, complete a Check Request Form made payable jointly to the recipient and his/her college and send to Procurement Services.

For Prizes to non-UVM Students – To award a Prize (payment for winning a judged competition) to non-UVM students, complete a Check Request Form and "Request for Payment of a Prize to a Student" Form (see Forms section of this policy) and send to Procurement Services.

### Academic Year of Scholarships

Scholarships awarded for use in the current academic year must be taken into consideration as a resource when calculating the student's total financial aid for the current academic year. Scholarships awarded for use in the following academic year will not revise current year calculations and will be calculated into the student's total financial aid for the following academic year.

See Scholarship Summary Matrix for more information on Processing, Reporting and Tax Issues <http://www.uvm.edu/policies/acct/scholarsummary.htm>

See Scholarship FAQ for more information  
<http://www.uvm.edu/policies/acct/scholarfaq.htm>

## Forms

Request Form for Payment of a Scholarship to a Student  
<http://www.uvm.edu/policies/acct/scholarshipform.pdf>  
Request Form for Payment of a Prize to a Student  
<http://www.uvm.edu/policies/acct/prizeform.pdf>

## Contacts

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

Scholarship Coordinator  
802-656-8573

The Senior Vice President and Provost is the official responsible for the interpretation and administration of this policy.

## Related Documents/Policies

Awarding Scholarships FAQ  
<http://www.uvm.edu/policies/acct/scholarfaq.htm>  
Scholarship Summary Matrix for Processing, Reporting and Tax Information  
<http://www.uvm.edu/policies/acct/scholarsummary.htm>  
Awards, Prizes and Winnings Policy  
<http://www.uvm.edu/policies/acct/prizes.pdf>  
UVM Travel Policy  
<http://www.uvm.edu/policies/travel/travel.pdf>  
Federal Guidelines on Overpayments and Overawards  
<http://ifap.ed.gov/sfahandbooks/attachments/0506Vol5Chapter1.PDF>

## Effective Date

Approved by the President on February 7, 2011