

**Determination of Proper Treatment for Student Payments:
Payroll/Scholarships/Grants/Reimbursements**

This Determination Flowchart is intended as a guide, and is not all inclusive. Determination is dependent on the facts and circumstances of each case; each instance must be individually determined.

The flowchart does **NOT** apply to students not currently enrolled at the University of New Mexico

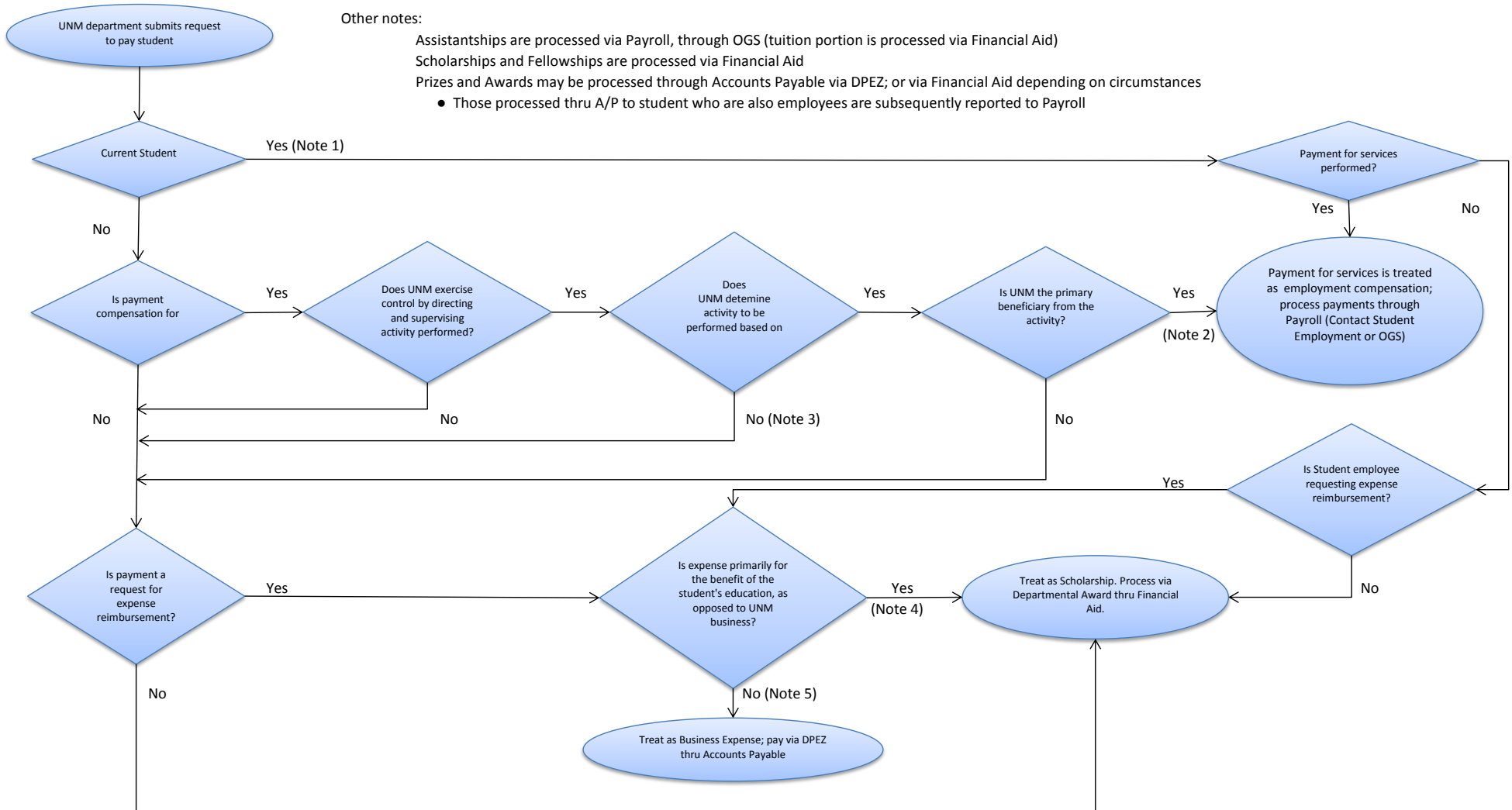
Other notes:

Assistantships are processed via Payroll, through OGS (tuition portion is processed via Financial Aid)

Scholarships and Fellowships are processed via Financial Aid

Prizes and Awards may be processed through Accounts Payable via DPEZ; or via Financial Aid depending on circumstances

- Those processed thru A/P to student who are also employees are subsequently reported to Payroll



**Notes for Determination of Proper Treatment for Student Payments
Payroll/Scholarships/Grants/Reimbursements**

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The following specific types of payments to students are generally processed as noted:

- Scholarships (processed through Financial Aid)
- Assistantships (processed via Payroll, through OGS; tuition portion is processed via Financial Aid)
- Fellowships (processed through Financial Aid)
- Prizes and Awards
 - Certain ones are processed through Financial Aid
 - Those not associated with education may be able to be processed via DPEZ
 - Contest winners, etc.
 - Check with Financial Services or Financial Aid before initiating, to determine appropriate method of payment

OVERVIEW:

Federal Courts have consistently held that "scholarships" are relatively disinterested, "no-strings" educational grants, with no requirement of any substantial services from the recipients. Any amount paid to, or on behalf of, an individual to enable him/her to pursue studies or research:

- (1) Primarily to further the student’s education and training and provided by the University for such purpose does not represent compensation or payment for services. Merely requiring the recipient to provide periodic progress reports to the University or the fact that the research or study results may provide an incidental benefit to the University is not enough to treat the payment as compensation for services. Such amounts are treated as scholarships, which are not subject to tax withholdings, but are reported as scholarships on IRS Form 1098-T; OR:
- (2) Primarily for the benefit of the University is considered to be for services performed and deemed taxable compensation (or depending upon the circumstances, treated as a University business expense reimbursement). Compensation for services is treated as taxable wages, which are subject to the appropriate tax withholding and are reported on IRS Form W-2. In general, University business expense reimbursements are not subject to tax withholdings and are not reported as taxable income.

FLOWCHART NOTE REFERENCES:

Not all of the following statements within the Notes below may be relevant in each situation.

NOTE 1: Is there a service requirement?

Yes if:

- Substantial conditions are attached to the payment, which exceed the incidental duties as a student
- Student receives payment that enables him/her to pursue research (or studies) primarily for the benefit of the University. See Note 2 for additional information.

NOTE 2: Is the University the primary beneficiary?

Yes if:

- The University's primary purpose and original intent is for the University (as opposed to the student personally in their educational pursuit) to obtain useful results from the project
- Results or research will be used by University
- University determines activities
- Services are performed to fulfill University's obligations to outside funding entity
- University would otherwise need to hire an employee or contractor to complete the same results
- Student is selected based on his/her experience
- Amount of payment is based on amount of compensation to employees performing similar activities

NOTE 3: Is the University the primary beneficiary?

No if:

- The payment is for an activity or area in which the University is relatively disinterested, no strings are attached, and no substantial service requirements are imposed on the student
- The project's primary purpose and original intent is to further the student's education or training
- University obtains no or, at most, only an incidental benefit
- Tasks are performed to contribute to the development of skills needed in the student's studies
- Student determines activities to be performed
- Student is selected to further his/her education or training

NOTE 4: Is the expense reimbursement related to Education?

Yes if:

- Activities performed primarily to further student's education
- Activity is an integral part of student's degree work
- Activity is supported by student's scholarship/grant
- Activity or course is required for degree or credit
- Activity impacts student's grade
- Student merely listens and learns to further his/her education

NOTE 5: Is the expense reimbursement related to Education?

No if:

- Directly supports faculty member's project or research program
- Related to presenting or actively participating at a conference or scholastic competition on behalf of the University
- Official University business (i.e., performed primarily for University purposes, such as University athletics or University band performances)