

PAYMENT TO STUDENTS

POLICY

Implementation Date: 1/28/2020

Purpose The purpose of this document is to establish campus protocol for payments to students (such as scholarships, fellowships, prizes, travel reimbursement, and compensation for services rendered). This document shall provide guidance so that all parties involved in making payments to students follow Internal Revenue Service (IRS) guidelines, federal financial aid regulations, and CSU student employment guidelines and rules. Compliance will ensure payments are made in the most appropriate manner and avoid any unintended negative financial impact on our students.

Authority Internal Revenue Service Publication 970
Higher Education Act of 1965
ICSUAM 2003.00
CSU Coded Memo ASA-2016-10
CSU Student Employment Guidelines (HR/Appointment 2005-01)
California Code of Regulations, Sec 42500 (d)
NACUBO Advisory 18-06
CSU Volunteer Policy (HR 2015-10)
Internal Revenue Service Publication 525

Scope This policy is intended to apply broadly to any departments, organizations, or individuals involved in the awarding, disbursement, posting, or distribution of payments to undergraduate and graduate students.

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I. Overview

CSUSM makes various payments to students for tuition and fees, teaching, research, and other education-related activities. When awarding and processing payments, care must be taken to classify payments correctly to avoid over awarding student financial aid, causing undue and unexpected financial burden for students when submitting income tax returns. This policy addresses types of payments made both to graduate and undergraduate students. The purpose of this policy is to explain how to categorize payments made to students in support of their education and non-education related activities.

When paying monies to a student, payments must comply with Internal Revenue Service publications, federal financial aid regulations, Fair Labor Standards Act, and CSU policies. While CSUSM strives to achieve intent of donors when administering funds to students on their behalf, donor intent, no matter how specific or strongly worded, may not supersede the university's compliance obligations.

At CSUSM, there are four categories of payments to students:

1. **Financial Aid** – Payments that assist the student in their pursuit of education (tuition, fees, books, equipment required for a course, or room and board). These payments are paid via the Financial Aid office and the student information system (PeopleSoft) with IRS reporting via 1098T.
2. **Wages** – Payments representing compensation for services rendered where CSUSM is the primary beneficiary. These payments are paid via Payroll with IRS reporting via W-2.
3. **Travel Reimbursement** – Payments reimbursing students for travel whenever, as part of the travel, a student is formally representing CSUSM (CSUSM is the primary beneficiary of the student travel). No IRS reporting required.
4. **Prize/Award** – Payments for winning a contest or an award where the funds for both do not have to be used towards educational expenses (tuition, fees, books, equipment required for a course, or room and board). IRS: 1099-MISC

A. Common Attributes of Each Payment Category**Financial Aid Payment**

- Primary purpose to assist with costs involved with a student's pursuit of their degree
- Funds are "no-strings," with no requirement of any substantial services from the student (no employer/employee relationship)
- To assist with training or research where the student is the primary beneficiary
- Any funds for room and board
- Travel where the student is not formally representing CSUSM
- **IRS reporting: 1098-T**

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Wage Payment*(Not all criteria need to be met to be considered wages)*

- Individual has direction or supervision and a defined workweek and/or schedule
- Receipt of funds contingent upon performance of services
- For research where CSUSM is the primary beneficiary
- If another student/individual would be necessary to complete duties/services, if the first student/individual was unable to complete or perform the duties/services
- **IRS reporting: W-2**

Travel Reimbursement

- As part of travel, student formally represented CSUSM (CSUSM primary beneficiary)
- **IRS reporting: none**

Prize or Award Payment

- Contest or drawing that is completely unrelated to student's coursework, university studies, or degree completion
- Payment cannot be required to use towards costs of pursuing degree (tuition, fees, books, equipment required for a course, or room and board)
- No service or research where CSUSM is the primary beneficiary (wages)
- **IRS reporting: 1099-MISC (when total in a calendar year meets or exceeds IRS threshold)**

II. Responsibilities**A. Departments, Organizations, or Individuals Making Payments to Students**

While all parties involved in administering payments to students share responsibility, the process ultimately begins with the payer making the proper determination as to the classification of payment.

When applicable, departments selecting recipients for a payment are responsible for ensuring awards comply with donor intent (without superseding policy).

While rare, recipients of payments that fall under the Financial Aid category should be made aware in advance of payment that their award may impact their financial aid package. All financial aid payments must be analyzed by the financial aid office to determine eligibility for funds from other sources, including federal loans.

B. Financial Aid

The financial aid office will provide oversight and advisement to ensure overall process complies with federal financial aid guidelines.

The Financial Aid Office will serve as the intake for all payments classified as "Financial Aid".

The Financial Aid Office is responsible for analyzing each payment to ensure a student's aid does not exceed the cost of attendance (COA). When COA is exceeded, the Financial Aid Office is responsible for adjusting student aid packages.

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C. Business & Financial Services

Business Financial Services, in conjunction with the Financial Aid Office, will provide oversight and advisement to ensure overall process complies with IRS regulations, ICSUAM, and CSU policies/memos.

Business & Financial Services, where applicable, is responsible for determining the taxable portion of financial aid payments to nonresident aliens and ensuring the proper tax form is issued.

The Office of Student Accounts, for payments under the “Financial Aid” category, is responsible for posting payments to student accounts and ensuring payment is configured to appear appropriately on tax Form 1098-T.

Accounts Payable is responsible for issuing payments for any payments deemed “Travel Reimbursement” or “Prize/Award” and ensuring that the tax Form 1099-MISC is issued where applicable (if total payments in the “Prize/Award” category for a calendar year, meet or exceed the IRS threshold).

D. Human Resources

Human Resources will provide advisement to ensure overall process complies with CSU Student Employment Guidelines.

E. Payroll Services

Payroll Services will provide advisement to ensure overall process complies with CSU Student Employment Guidelines and employment tax guidelines.

Payroll Services is responsible for any payment deemed “Wages”.