

Student Payment Guidelines :

Typically a Graduate Student plays the role of both a student and a researcher. The role they are playing in relationship to the payment determines if it is a student expense or a business expense. **Students who do not have a dual role (i.e., student/researcher) would be considered a student expense.** Business expenses paid by the University can be non-taxable, non-reportable under the IRS accountable plan (IRS Publication 970), but student expenses that are paid by the University may be taxable income to the student and subject to withholding and/or reporting.

IRS Requirements for qualifying business expenses – Be working (such as in the lab). The education serves as a bona fide business purpose of your employing department. The education must maintain or improve skills needed in your present work. It does not qualify if it is needed to meet minimum requirements of your present trade, or is part of a program that qualifies you for a new trade.

Reimbursement of travel business expenses (i.e., to a Graduate Student) should be submitted on an OSF Travel Form 19. Payment of a grant or scholarship **to a student** should be submitted on an OSF Notarized Form 3.

If a payment is determined to be student related grant or scholarship, taxation will be determined as follows:

Type of Payment	Residency	Taxable Income	Withholding	OUHSC Reportable	Withholding Percent
Qualified Scholarship/Fellowship ³	US/RA	No [*]	No	No	
	NRA	No [*]	No	No	
Non-Qualified Scholarship/Fellowship ³	US/RA	Yes	No	No	
	NRA	Yes	Yes ^{**}	Yes	14% ^{***}
Prizes/Awards	US/RA	Yes	No	Yes	
	NRA	Yes	Yes	Yes	30% ^{***}

* If student is a candidate for a degree and scholarship is used for qualified expenses.

** Rate could be reduced or excluded if a treaty applies. Treaties are evaluated by OUHSC Financial Services Department.

*** In addition to 8% Oklahoma state tax. Rate could be reduced or excluded if a treaty applies. Treaties are evaluated by OUHSC Financial Services Department.

DEFINITIONS

1. **Scholarship** – generally an amount paid or allowed to, or for the benefit of, a student at an educational institution to aid in the pursuit of studies. The student may be either an undergraduate or a graduate.
2. **Fellowship** – generally an amount paid for the benefit of an individual to aid in the pursuit of study or research.

3. **Scholarships and Fellowships** not including past, present, or future services. The determination of which one of the following applies is determined by the type of payment the issuing department is making. This should be evaluated by a designated department representative prior to submission to Accounts Payable for payment.
 - **Qualified** – Used for tuition. Used for fees, books, supplies, and equipment only if required of all students in the course. However, in order for these to be qualified education expenses, the terms of the scholarship or fellowship cannot require that it be used for other purposes, such as room and board, or specify that it cannot be used for tuition or course-related expenses.
 - **Non-Qualified** – Used for fees, books, supplies, and equipment not required of all students in the course. Used for any other expenses to include, but not limited to room, board, and travel which is true even if the fee must be paid to the institution as a condition of enrollment or attendance.
4. **Prizes/Awards** – distinguishable from scholarship and fellowships that are specifically intended to be spent by recipients to defray costs of the study, training or research. Recipients of a prize or award can use the amount as they see fit which makes the prize or award includible in gross income. Monetary payments for achievement, performance, competition, or travel that are not related to employment services and are not to further student education are considered taxable income to the student. They are not taxable if the recipient chooses to have the prize or award paid directly to a designated charitable organization. If the following conditions are met, the University is not required to report the amount:
 - a. the payment is primarily in recognition of religious, charitable, scientific, educational, artistic, literary, or civic achievement,
 - b. the recipient was selected without any action on his/her part to be considered for the award,
 - c. the recipient is not required to render substantial future services as a condition of receiving the award, and
 - d. the payment is made by the payer directly to a tax-exempt public charity or governmental subdivision designed by the recipient. IRC Sec. 74(b).
5. **Candidate for a degree** – Attend a primary or secondary school or are pursuing a degree at a college or university or attend an accredited educational institution that is authorized to provide a program that is acceptable for full credit toward a bachelor's or higher degree, or a program of training to prepare student for gainful employment in a recognized occupation.
6. **US** – United States citizen or national.
7. **RA** – Resident Alien for tax purposes – an individual who is not a citizen or national of the United States but is either a lawful permanent resident (“green-card” holder) or meets the substantial presence test.
8. **NRA** – Nonresident Alien for tax purposes – an individual who is not a U.S. citizen or a resident alien and who has not met the substantial presence test.