FINANCIAL OPERATIONS POLICIES

SCHOLARSHIP, AND FELLOWSHIP DISBURSEMENTS
The purpose of this policy is to explain how to categorize payments made to students in support of their education-related activities.

This document also outlines procedures to be used

- When making scholarship payments and
- Clarifies the income tax implications of receiving such payments.
The College of William and Mary/VIMS provides many types of scholarships and fellowships each year. The Taxability of a scholarship or fellowship depends upon

- Student Residency Status (RA or NRA)
- Qualified Expenses (Taxable or Non-Taxable)
- Scholarship/Fellowship Requirements

This policy provides the Internal Revenue Service (IRS) requirements for income tax withholding and the reporting of such.
IRS Publication 970 (Tax Benefits for Education) defines:

- **Scholarship** as the 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.

- **Fellowship**, is generally an amount paid for the benefit of an individual to aid in the pursuit of study or research.
STUDENT RESIDENCY STATUS

US CITIZENS
Tax-Free Scholarships and Fellowships

- A scholarship or Fellowship is tax free only if:
  - Student is a candidate for a degree at an eligible educational institution, and
  - Student use the scholarship or fellowship to pay for qualified educational expenses

Qualified Expenses

- Tuition and fees required to enroll at or attend an eligible educational institution, and
- Course-related expenses, such as fees, books, supplies, and equipment required.
Qualified education expenses do not include the cost of:
- Room and Board
- Travel
- Research
- Clerical Help
- Equipment and other expenses that are not required for enrollment in or attendance at an eligible educational institution.

This is true even if the fee must be paid to the institution as condition of enrollment. Scholarships or fellowship amounts used to pay these costs are taxable.
Payments made to the student as an incentive to:

- Attend college
- Engage in activities that enhance their educational experience
- Require services to the College/VIMS
DISBURSEMENT

Student Accounts

Accounts Payable

Payroll
STUDENT ACCOUNTS DISBURSEMENTS

- Books
- Supplies
- Tuition & Fees
- Equipment

1098T
A payment of scholarship or fellowship is made to a student with the expectation that the student will perform some type of service.

The financial support is made in consideration of required past, present or future services.
Accounts Payable

- All other payments
  - Examples:
    - Lyon G Tyler
    - Charles Center Summer Scholarships
    - Graduate Student Fellowships – Biology Dept
    - Provost’s Summer Grants for Graduate Research

Acc Payables | No tax Form
Dear Student Recipient of Scholarships or Fellowships:

According to our records, you are the recipient of a scholarship or fellowship awarded through the College of William and Mary. The term “scholarship or fellowship” includes grant, honoraria, award, internship, waivers, and other forms of “gift aid,” which typically do not need to be re-paid. We feel it is our responsibility and in your best interest to explain to you the general treatment of these amounts for tax purposes.

Generally, under the tax laws, you should not have to pay taxes on a scholarship or fellowship to the extent you use the funds for tuition, fees, books, and equipment required for classes or enrollment. In other words, to what extent you use the funds for these types of expenses, the scholarship or fellowship award will determine how much should be excluded from your income for tax purposes.

However, any portion of a scholarship or fellowship award you spend on incidental expenses, including room and board, could be included in your taxable income for the year. Therefore, you may have to pay income taxes on the portion of a scholarship or fellowship award spent on items such as travel, research and medical insurance. For more information on the tax treatment of scholarships and fellowships, see IRS Publication 970 (Tax Benefits for Education), which can be found on the IRS website at http://www.irs.gov/formspubs/index.html.

You should make the determination regarding whether a scholarship or fellowship is taxable based upon your individual facts and accounting for all the scholarships or fellowships that you may have received. To the extent that you determine that a portion of all of the funds are not subject to tax, you should retain receipts, cancelled checks, and other documents that could show the total amount of your qualifying expenses.

Please note that this letter is intended only to introduce you to the possible consequences of scholarship or fellowship amounts. Since individual tax liability depends on each individual’s circumstances, you should contract your personal tax advisor with any questions or concerns.

Very Truly Yours,
It is imperative that the departments administering the financial support determine the appropriate classification of the financial support for tax purposes.

Proper classification is important because it directly affects the College’s reporting responsibilities.

If uncertain, departments should contact the Finance Office.
GUIDELINES FOR DEPARTMENTS

- How closely is the job controlled?
- Who determines the activities to be performed by the recipient?
- Will benefits be obtained by the College or other grantor?
Form developed to aid departments in the assessment process.

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**SCHOLARSHIP PAYMENT DISBURSEMENT CHECKLIST**

**Scholarship Name:**

**Department:**

This form will help you determine whether a scholarship payment should be processed through Accounts Payable or Payroll Office.

<table>
<thead>
<tr>
<th>Factors to consider when making disbursement determination</th>
<th>A/P</th>
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</thead>
<tbody>
<tr>
<td>1. Student is a candidate for degree.</td>
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<tr>
<td>2. The recipient is selected primarily to further their education and training.</td>
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<td>3. The recipient is only required to submit progress reports.</td>
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<tr>
<td>4. The recipient determines activities based on the terms of the scholarship or fellowship grant. (A faculty advisor may assist the recipient).</td>
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<tr>
<td>5. The recipient's research and work is performed independently and the college does not control how the scholarship is used.</td>
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<table>
<thead>
<tr>
<th>Factors to consider when making disbursement determination</th>
<th>PAYROLL</th>
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</thead>
<tbody>
<tr>
<td>1. Student is not a candidate for degree</td>
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<tr>
<td>2. The College tells the recipient where, when and how to work (planned time schedules)</td>
<td></td>
</tr>
<tr>
<td>3. The College determines activities based on its needs (i.e. completing work on a College research grant or teaching a class).</td>
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<tr>
<td>4. The College has the right to exercise control or supervision over the sequence of work performed.</td>
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<tr>
<td>5. The recipient is required to work as specified number of hours a week on the research project.</td>
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<tr>
<td>6. An employee would have to perform any of the activities of the recipient if the financial support was not awarded.</td>
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<tr>
<td>7. The financial support is made in consideration of required past services or required futures services to the College.</td>
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<td>8. The amount of financial support is based upon compensation of employees performing similar activities.</td>
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<tr>
<td>9. The research services are directly related to the fulfillment of a contractual commitment by the College.</td>
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<tr>
<td>10. The College treated the recipient as an employee (i.e. withholds payroll taxes on the payment as wages, provides faculty privileges and other employee benefits).</td>
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</table>

Accounts Payable Payments use the Vendor Payment Request Form
HR/Payroll Payments use the Award and Recognition Form
The James Monroe Scholars Program

- An early jump on research.
- Is it ever too early for William and Mary students to immerse themselves in cutting-edge research? Not according to the idea behind the Monroe Scholars Program.
  - Funded largely through private support, the program guarantees Monroe Scholars — who represent the top 7 percent of the College’s student body — $1,000 for projects after their freshman year and a $3,000 summer scholarship after their sophomore or junior years for research projects of their own design.
MONROE SCHOLARS PROGRAM

Candidate for Degree

No Services Required

Student Benefits

Which Department? AP or Payroll

Which Tax Document, if any?
## NON-RESIDENT ALIEN (NRA)

<table>
<thead>
<tr>
<th>VISA LAW</th>
<th>IMMIGRATION LAW</th>
<th>TAX LAW</th>
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</thead>
<tbody>
<tr>
<td>• Type of Visa</td>
<td>• Presence Test</td>
<td>• IRS</td>
</tr>
<tr>
<td>• I-151</td>
<td>• Immigration Documentation</td>
<td>• Tax Withholdings</td>
</tr>
<tr>
<td>• I-688B</td>
<td>• F-1</td>
<td>• Tax Reporting</td>
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<tr>
<td>• I-327</td>
<td>• J-1</td>
<td>• 1042S</td>
</tr>
<tr>
<td>• I-766</td>
<td>• M-1</td>
<td>• Form 8233 or W-8BEN</td>
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<tr>
<td>• I-571</td>
<td>• Q-1</td>
<td>• Missing info fines up to $300 per item</td>
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<tr>
<td>• Identity Documents</td>
<td>• H-1B</td>
<td>• FICA</td>
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<tr>
<td>• Developed Countries</td>
<td>• H2B</td>
<td>• Section 3121 (1) agreement with IRS</td>
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<tr>
<td></td>
<td>• Treaty Agreements between Nations</td>
<td>• Foreign source income</td>
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<tr>
<td></td>
<td>• I-94</td>
<td>• TIN numbers</td>
</tr>
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<td></td>
<td>• Department of Justice</td>
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</tr>
</tbody>
</table>
Non – Resident Alien

- Please contact the finance office for assistance.
  - Visa and/or Immigration Status
  - SSN/ITIN
  - Treaty Benefits
  - Tax Withholding
  - 14% Taxation

- Finance will review disbursement and taxable status per NRA.
Once you make a determination on how to disburse the scholarship or fellowship; please send a copy of the form to:

R. Gilliam
Finance Office
Thank You