

Payments to Students

Guidelines & Procedures

Revised 07/25/2023

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1. **INTRODUCTION**

Why Does it Matter How We Pay a Student?

Payments to students must comply with Internal Revenue Service regulations, federal financial aid regulations, and CSU policies. **While CSUSM strives to comply with the 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 obligation to meet federal and state financial aid rules, IRS regulations, Fair Labor Standards Act, or other CSU rules or guidelines.**

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

1. **Financial Aid Payments** – 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 Form W-2.

3. **Travel Reimbursement** – Payments reimbursing students for travel whenever, via the travel, a student is formally representing CSUSM (CSUSM is the primary beneficiary of the student travel). No IRS reporting.

4. **Prizes and Awards** – 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). These payments are paid via Accounts Payable with IRS reporting via Form 1099-MISC.

This procedures document will assist users in determining the nature of their payment and how to make the payment correctly to ensure compliance with all applicable regulations and policies.

2. **SCOPE**

These procedures are applicable for any payment made to any student at CSUSM.

3. **PURPOSE OF GUIDELINES & PROCEDURES**

Best Interest of the Student

By complying with all relevant rules, regulations, and policies, CSUSM will ensure payments will be made in the most appropriate manner and avoid any unintended negative financial impacts on CSUSM students (ex: student unnecessarily receives an IRS Form 1099).

Compliance

Ensure that all procedures that support the administering of payments to students comply with federal financial aid rules, IRS regulations, and CSU/CSUSM policies (such as employment).

Accountability

Ensure that all appropriate parties at CSUSM involved in administering payments to students:

- Are aware of, and understand, the Payments to Students (and related) policies.
- Fully understand their responsibilities and can fulfill their duties in compliance with federal financial aid rules, IRS regulations, and CSU/CSUSM policies.

4. RESPONSIBILITIES

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 department (payer) allowing sufficient time and consultation to ensure the proper determination as to the classification of payment **(see Procedures).**

The payer should allow sufficient time to consult the Payments to Students Guidelines and Procedures and inquire about the processing time required for the determined path forward. The payer should refrain from communicating with student recipients until a determination is made and the course of action is solidified. A failure to set the correct expectations for the timing of the payment may cause financial burden and stress for students.

Each awarding department is responsible to monitor expenditures from their accounts, including funds awarded, disbursed, adjusted, or cancelled.

If funds were donated, awarded as part of a grant, or have any spending restrictions, the department selecting recipients is responsible for ensuring awards comply with donor intent (but not to supersede policy).

Recipients of payments that fall under the Financial Aid category should be made aware that their award may impact their financial aid package and must be taken into consideration when the financial aid department determines eligibility for funds from other sources, including federal loans. The Financial Aid Office has the responsibility of determining whether adjustments are necessary.

Financial Aid

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

Federal regulations under the Higher Education Act of 1965 require institutions to monitor and limit total financial resources awarded to students receiving federal financial aid, which includes grants, need-based employment (i.e., federal work-study) and loans.

Federal aid recipients cannot receive aid in excess of their cost of attendance (COA). The COA, therefore, represents a cap on total funding. An "over-award" occurs when the student receives more aid than they are eligible to receive. While this rarely occurs, the Financial Aid Office is required to resolve all over-awards and adjust a student's aid package when necessary.

The Financial Aid Office will serve as the intake for the payments classified as financial aid, and route/process appropriately.

The Financial Aid Office will also ensure that student payments processed via their office are enrolled in a financial aid-eligible program and re-route payment appropriately if not.

The Financial Aid Office, for payments that fall under the "Financial Aid" category, will disburse payment via the student information system (PeopleSoft).

Financial Aid payments cannot be awarded based on race, sex, color, ethnicity, or national origin.

Financial Aid payments cannot be issued using 485xxx operating funds without approval from the university President prior to the advertisement and selection of recipients.

In most cases, departmental awards will not impact a student's aid package when processed through the student information system. If other aid must be adjusted to accommodate new funds, loans will typically be reduced first. Lowering a student's educational loan debt should be considered a positive outcome.

Business & Financial Services

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

In the event a payment is made to a non-resident alien student, Fiscal Services will determine the taxable portion of the financial aid payment and submit a tax Form 1042-S and ensure the taxable amount is posted to the student's account as a charge.

Student Financial Services, for payments under the "Financial Aid" category, will post payments to student accounts and ensure payment is configured to appear in Box 5 on tax Form 1098-T.

For payments deemed "Travel Reimbursement" or "Prize/Award," Accounts Payable will issue payment via Direct Pay and for any Prize or Award, ensure tax Form 1099-MISC is issued where applicable (if total payments in the "Prize/Award" category for a calendar year, meet or exceed $600).

Business & Financial Services will collaborate with all parties involved in the payments to students process to ensure policy or procedures are updated as necessary.

Human Resources

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

Payroll Services

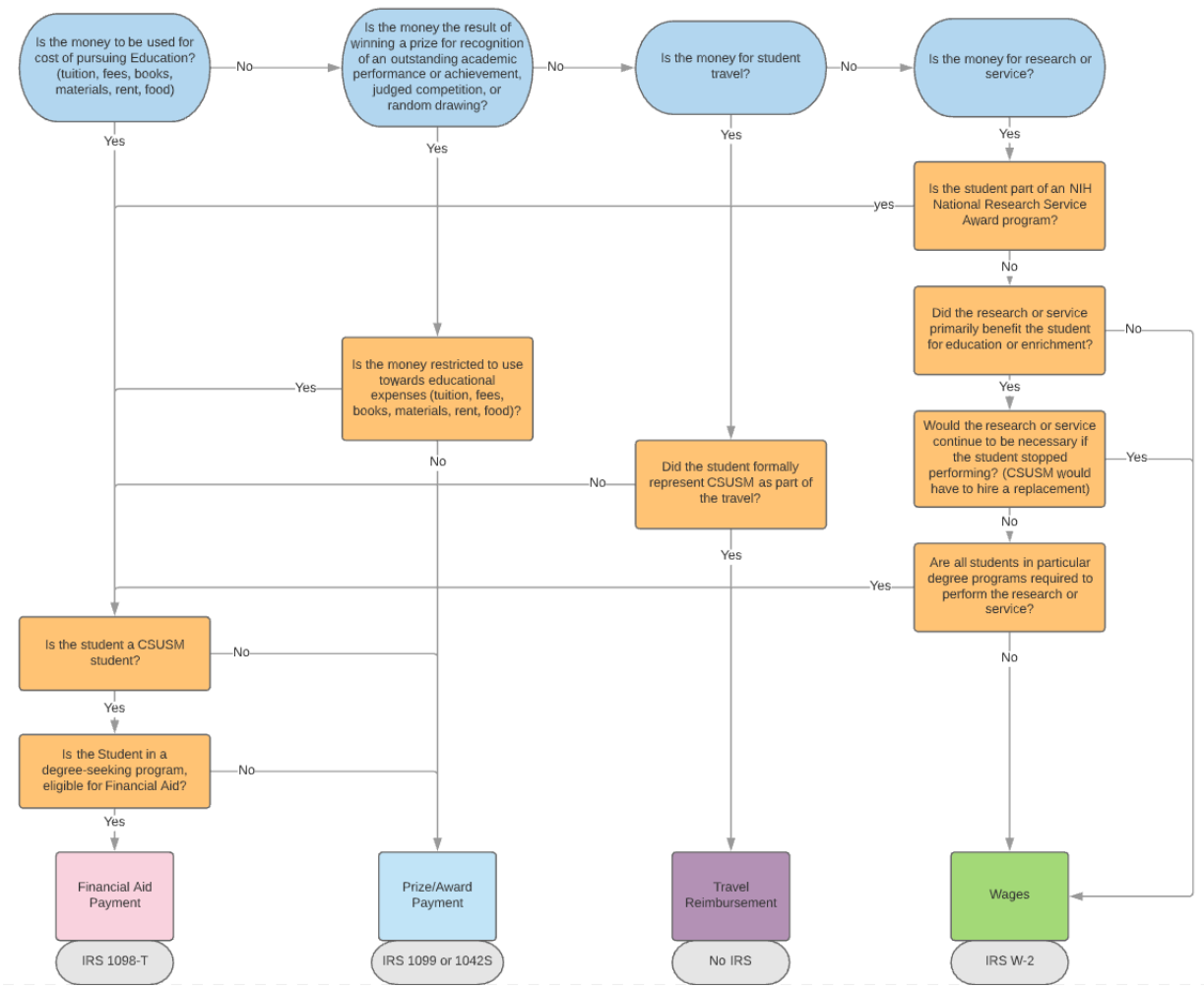
Payroll Services will provide advisement to ensure the overall process complies with CSU Student Employment Guidelines and employment tax guidelines.

For payments deemed "Compensation for Services Rendered," Payroll Services will issue payment to student via pay warrant.

5. PROCEDURES

Payments to Students Decision Tree

When determining the proper way to pay a student, the following decision tree should be used:



Financial Aid Payment Process – Administrative

TBD

Payment Attributes for Each Payment Category:

Common Attributes of Financial Aid Payments

- 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
- For training or research where the student is the primary beneficiary
- Any funds for room and board
- Not associated with past, present, or future services (no employer/employee relationship)
- Travel where the student is not formally representing CSUSM
- IRS reporting: 1098-T

Common Attributes of Wage Payments (Not All Criteria Needs 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

Common Attributes of Travel Reimbursements

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

Common Attributes of Prize or Award Payments

- Contest or drawing (can be for academic achievement)
- 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 was the primary beneficiary (wages)
- IRS reporting: 1099-MISC (when total in a calendar year meets or exceeds $600)

6. FINANCIAL AID PAYMENTS

While various names or titles of payments may have been historically used to describe payments to students (such as Scholarship, Fellowship, Grant, Stipend, etc.**), institutional funds for students that are meant to assist in a student's pursuit of their degree (and not representing a reimbursement) are considered financial aid.**

Monies given to students for the following purposes are examples of payments considered financial aid:

- Tuition and Fees
- Books
- Supplies and equipment required for courses
- Room and board
- Travel expenses when student is traveling for their academic or personal benefit (and not formally representing CSUSM)
- Research where the student is the primary beneficiary (research not considered wages)
- Optional equipment necessary to complete a course

The value of Financial Aid payments must be processed in the student information system and considered a resource to meet educational expenses. These payments are disbursed via the Financial Aid Office and posted to student accounts by Student Financial Services. This facilitates proper internal and external reporting and ensures compliance with IRS and Federal Financial Aid guidelines, and the requirement that any educational benefits paid to a student, regardless of the source, be considered in determination of eligibility for federal financial aid (including loans).

To qualify as a Financial Aid payment, students cannot provide services or research where CSUSM is the primary beneficiary. In that scenario, the research or service would be considered wages. A requirement that a student furnish periodic reports for the purpose of keeping CSUSM informed as to the general progress of the student does not constitute the performance of services.

Timing and Order of Financial Aid Payments

While rare, Financial Aid payments processed after the Financial Aid office creates aid packages may result in a reduction of aid previously offered. **When possible, it is best to make awards prior to the point when the Financial Aid Office determines eligibility of other funds**.

Regardless of when an award is made, students must be enrolled in the term for which it is intended to cover, even if that term has ended or yet to begin.it must be attributed to the term for which it is intended to cover, even if that term has ended or has yet to begin.

Processing of Financial Aid Payments

Financial Aid payments are set up with item type numbers and special attributes specific to each award and must be processed via the student information system (PeopleSoft). After disbursement to the student's account, funds will be deducted from the account associated with the award (General Ledger or GL account).

These awards must also be made via the student information system. Consult with the Financial Aid department to make special arrangements for these awards to be made and disbursed.

Financial Aid payments can be configured to pay existing balances on student accounts, or restricted from paying any balance (and therefore, automatically refunded to the student via direct deposit or paper check). When setting up an item type for a financial aid payment, the decision to apply towards existing balances, or not, must be noted.

Correct use of item type and account codes is required, and critical, to ensure accurate scholarship/fellowship processing and reporting.

Sample Financial Aid Payment Scenarios

- Student receives $350 to help with rent and food
- Student receives $500 to assist with purchase of a laptop or tablet
- Student receives $1200 scholarship to assist with tuition and fees costs
- Student receives a research grant of $500 (where the student is the primary beneficiary)
- Student receives grant that earmarks monies for research, travel, and per diem (in this scenario, each would be considered "aid," as long as the student is the primary beneficiary, and would be paid in one lump payment)

7. **WAGES**

In general, students should be paid through university payroll when they are performing services for CSUSM under the direction and control of the University. In accordance with the **CSUSM Policy on student employment**, students may be employed as hourly employees, Federal Work-Study employees, graduate assistants, and student academic appointees.

It is not appropriate to use scholarship funds or gift cards (or cash equivalent) to circumvent paying students through university payroll when they are performing services for the university. Further, it is not appropriate to use non-monetary forms of compensation (such as a free trip, tangible item, campus housing or meals) in lieu of hiring a student for services performed for the university.

Per **CSU Volunteer Policy**, volunteers cannot receive any form of financial compensation for services. If a department or organization wishes to compensate a student for services rendered

with a monetary payment, they must formally hire the student and process the payment via university payroll as wages.

Services Required as a Condition for a Financial Aid Payment

When an award is intended to support a student's pursuit of their studies **and** performance of a service is a condition of the award, an analysis should be performed to determine if the payment qualifies as a financial aid payment or compensation.

It is not appropriate to pay a student with a financial aid payment if the recipient is required to perform a service that benefits CSUSM. If the student is working as a tour guide, peer mentor, note taker, or in some other capacity for a specified number of hours with campus supervision, scheduling, or oversight, **this is considered "work," and compensation should be made in the form of wages, and taxed as such.**

Individuals or Departments should use Appendix A: Payments with Service/Research Component: Financial Aid or Wages? to determine the correct classification of payment.

In determining how to pay for services performed, consider the following:

- CSUSM must comply with IRS withholding, tax, and wage and income reporting requirements
- Improper payment method can have adverse effects to the university (penalties and fines), as well as for students when they file a personal tax return or when applying for future financial aid.

Processing Wage Payments

Departments, organizations, or individuals should follow the CSUSM policy on student employment.

Sample Wage Payment Scenarios

- Student receives a cash payment to take class notes
- Student receives a cash payment to provide services at pep rally
- Student performs research or service where CSUSM is the primary beneficiary (if the research was not completed by the student, CSUSM would have to find/hire someone else to complete it)

8. **TRAVEL REIMBURSEMENTS**

Payments to students to cover travel will either be considered financial aid or a travel reimbursement. The primary factor in determining whether the payment is financial aid or reimbursement is the purpose of the travel.

Only travel where the student is formally representing CSUSM while presenting, serving, or participating can be considered a travel reimbursement.

Institutional funds paid to a student when a student is traveling for **their own** academic or personal benefit (and not formally representing CSUSM) would be considered a financial aid payment and paid through the Financial Aid Office and student information system. Financial aid recipients cannot receive aid in excess of their cost of attendance (COA).

For help in determining whether student travel is aid or reimbursement, please see Appendix B: Travel: Financial Aid or Reimbursement?

Processing Travel Reimbursements

For reference: **CSU Business and Travel Expense Reimbursements Policy**

Travel reimbursements are to be processed via Direct Pay through the Accounts Payable Department.

Sample Travel Reimbursement Scenarios

- Student representing CSUSM at a conference via a poster session
- Student promoting CSUSM at a college fair

9. **PRIZES AND AWARDS**

Prizes

A prize is typically cash or cash equivalent that is a result of winning a contest or competition. A prize can be labeled and processed as such as long as the prize monies are not required to be spent towards the costs associated with the student's pursuit of a degree (tuition, fees, books, equipment required for a course, or room and board). If the prize monies are restricted towards the student's educational costs, it must be considered a Financial Aid payment and processed via the Financial Aid office.

Prizes are generally taxable and reported by CSUSM on Form 1099-MISC if they meet the reporting threshold ($600 or more in a calendar year). Please see **IRS 1099-MISC guidelines**.

The taxability of prizes is governed by **Internal Revenue Code Publication 525**.

If the source of the prize is gift funds, the donor of the prize may set the criteria for recipient selection but may not select the recipient.

Awards

An award is typically for recognition of outstanding achievement in teaching, research, academic performance, or other performance-related activities.

Monies given to students that is for recognition of performance must be part of a documented campus program that includes guidelines, selection criteria, and procedures and published on the CSUSM website.

Students in programs not eligible for financial aid (i.e., non-matriculated students) fall under the 'Award' category and would be processed via Accounts Payable as they cannot be processed through the student information system.

For help in determining if a payment should be classified as a Prize/Award or Financial Aid, see Appendix C: Contest Winnings: Prize or Financial Aid?

Processing Prize Payments

Prize payments are to be processed via Direct Pay through the Accounts Payable Department.

Sample Prize Payment Scenarios

- Student wins $50 by taking first place in a talent show
- Student wins $100 by participating in a survey
- Student wins $500 as part of the Student Leadership Award
- Student wins $500 as part of a Dean's Award

Awards (Non-Matriculated Students)

On occasion, payments to non-matriculated students will have the same intent and appearance as a typical Financial Aid payment. As non-matriculated students are not yet enrolled in a degree program, CSUSM has no U.S. Department of Education Title IV financial aid or IRS Form 1098-T reporting requirements. Therefore, these types of payments will be considered "Awards" and processed via the Accounts Payable department (and subject to 1099-MISC where applicable).

Awards (Non-CSUSM Students)

At times, grant monies or scholarships may be facilitated and paid through CSUSM for non-CSUSM students. As these students have no qualifying expenses with our university, CSUSM has no 1098T or 1099-MISC reporting requirements. For these scenarios, CSUSM will pay the grant or scholarship monies to the student via Direct Pay through Accounts Payable. All IRS reporting requirements, for payments to non-CSUSM students, are with the student.

Processing Award Payments

Awards are to be processed via Direct Pay through the Accounts Payable Department.

Sample Award Payments

- Non-CSUSM student receives a grant that is facilitated and paid through the university
- Student in a financial aid-ineligible program receives a scholarship/grant/fellowship

10. **TAX IMPLICATIONS**

CSUSM employees should never offer personal tax filing advice. Resources for students with financial assistance include the **IRS publication 970** and the **Tax Information** section of the CSUSM website. The taxability of scholarships is governed by Internal Revenue Code (IRC) Section 117.

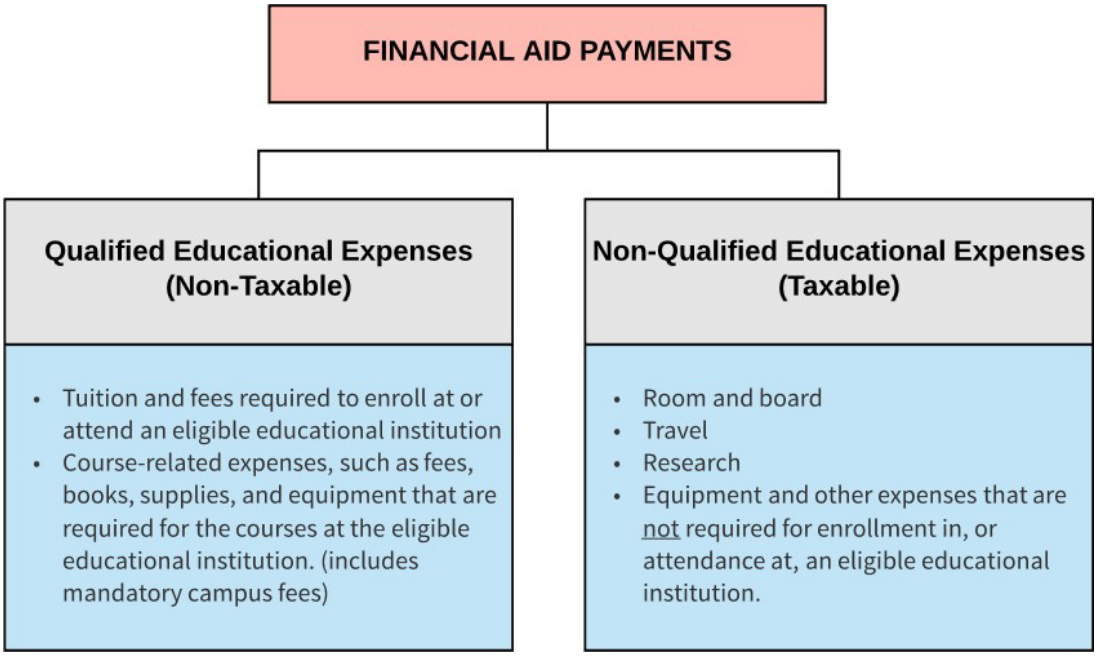
Financial aid payments can be classified as "Qualified" or "Non-Qualified" educational expenses.

IMPORTANT: The tax classification of a financial aid payment (whether "Qualified" or "Non-Qualified") has no impact on the "Payments to Students Decision Tree."

If the student is in a degree seeking program/financial aid eligible program, they generally **can** exclude from income **Qualified Educational Expenses**. This classification of scholarship is **nontaxable**.

If the student is in a degree seeking program or financial aid eligible program, they generally **cannot** exclude from income financial aid received to cover non-qualified expenses. This classification of scholarship is **taxable**.

The graphic below helps clarify qualified versus non-qualified expenses:



The responsibility of accurately reporting non-qualifying scholarship amounts as income to the IRS is with each student. IRS Form 1098T does not differentiate taxable and non-taxable (both appear in Box 5).

Form 1098-T

Each January, CSUSM reports payments made against qualifying educational expenses (such as tuition and fees) to the IRS, and in doing so, a Form 1098-T is sent to students that identifies:

- Payments made by the student or third party (Box 1)
- Scholarships, grants, waivers, andanything not required to be paid back (Box 5)

All payments that fall under the Financial Aid category, whether taxable or nontaxable, are reported in Box 5 of the 1098-T.

Failure to award properly, or account for institutional funds for students in the student information system, puts CSUSM at risk of violating federal financial aid and IRS regulations, and could also jeopardize a student's ability to properly claim tax benefits and account for funds received under IRS rules.

For more information about how to determine whether an award must be paid as wages, see Appendix A: Payments with Service/Research Component: Financial Aid or Wages?

International Students

For international students, any payments in excess of tuition, fees, and course related expenses are taxable. Additional tax considerations can apply, and depending on status, the international student may qualify for certain tax treaty benefits, which would entitle the student to no tax withholding on their student account. **IRS Publication 901** contains tax treaty details.

All amounts paid to nonresident aliens in the form of scholarships, fellowships, grants, and financial aid, which are not excludible from gross income as a "qualified scholarship," under **Internal Revenue Code 117** must be reported to the IRS, regardless of the amount paid, unless the grant is from sources outside the United States.

Any nonqualified financial aid payments (aid in excess of cost of attendance, or for purposes other than tuition, fees, books, and supplies) are subject to 14% or 30% federal tax withholding, dependent upon visa status. A tax treaty may apply that would make the nonqualified scholarship exempt from taxes.

The taxable (nonqualified) portion of a financial aid payment paid to a non-resident alien in F-1, J- 1, M-1, Q-1, or Q-2 visa status is subject to Federal income tax withholding at the rate of 14%.

All taxable financial aid payments made to nonresident aliens are required to be reported to the payee and to IRS on Form 1042-S.

11. DEFINITIONS

Awards

For the purpose of these procedures, Awards are funds that normally would be considered financial aid payments, but due to the student either being in a Financial Aid-ineligible program or not a student at CSUSM, the payment is paid through Accounts Payable, and not the Financial Aid Office.

Cost of Attendance (COA)

An estimate of educational expenses for the period of enrollment for which the student has applied for financial aid. Expenses included in the COA are tuition and fees, books and supplies, transportation, room and board, and personal expenses as required by federal financial aid regulations. Total financial aid eligibility is capped at the COA for federal aid recipients.

Departmental Aid

Institutional financial aid that is administered and awarded by an individual department (typically refers to an academic unit).

Financial Aid Package

The combination of federal, state, and institutional or external aid awarded to a student for a particular period of enrollment. Includes grants, scholarships, fellowships, need-based work income, and student and parent institutional or private loans.

Institutional Aid (Financial Aid)

Funds awarded by CSUSM or through any auxiliary, to a student, regardless of the timing of the award, where the purpose is to assist the student with their costs associated with earning a degree. Institutional aid includes scholarships, fellowships, grants, loans, and all other CSUSM-funded monetary benefits processed through the Student Information System. Institutional aid does not include wages for services rendered, prizes that are not restricted to applying towards costs of education, or travel reimbursements.

Prizes

For the purpose of these procedures, prizes are any payment won in a contest or for recognition of achievement or performance where monies do not have to be used to assist in the cost of attaining a degree (tuition, fees, equipment required for a course, or room and board).

Qualified Educational Expense

While qualified and non-qualified expenses both fall under the Financial Aid umbrella, amounts paid for tuition, fees, and other related expenses that are required for enrollment or attendance at an educational institution are considered qualified. The difference between the two is important only for tax filing purposes.

Qualifying Expenses include:

- Tuition and fees
- Books and supplies (where required for each course/program)
- Equipment required to complete a course

Qualifying expenses do not include:

- Personal expenses (room and board, insurance, medical, travel, etc.)
- Course expenses involving sports, games, or hobbies (unless part of a degree program)

Scholarship/Fellowship (Financial Aid)

Section 117 of the Internal Revenue Code broadly defines scholarship as "an amount paid or allowed to, or for the benefit of, a student, whether an undergraduate or graduate, to aid such individual in pursuing his studies." This would include payments that aid in expenses related to the pursuit of education (such as housing, meals, and living expenses). *Exceptions: monies paid for services that would be considered wages, travel reimbursements, and prizes that are not restricted to paying educational expenses. This would also exclude non-matriculated students.*

Student

A student is a person seeking a degree or credential at CSUSM. A student ceases to be a student upon graduation or official withdrawal from the university. A student who is not enrolled in summer, but not yet graduated, is still considered a student.

Student Information System (SIS)

Database that houses student enrollment, grades, financial aid, and financial transactions. Also referred to as "PeopleSoft."

Wages

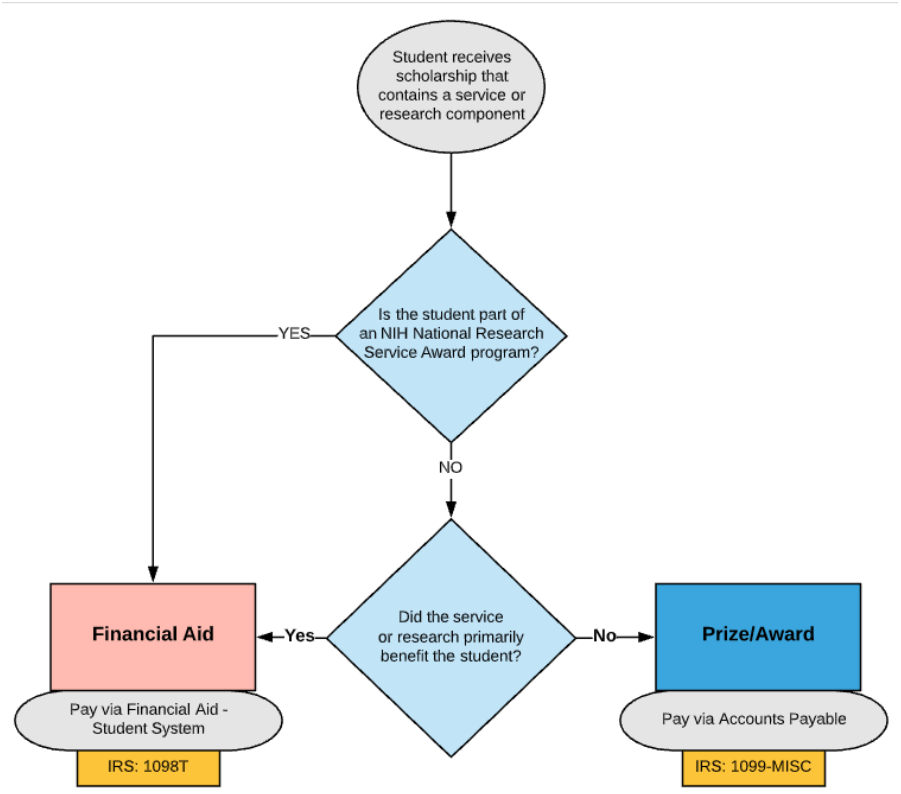
For the purpose of this policy, wages are any monies paid to a student for services rendered where CSUSM is the primary beneficiary.

APPENDIX A - PAYMENTS WITH SERVICE/RESEARCH COMPONENT: FINANCIAL AID OR WAGES?

Purpose

The purpose of these guidelines is to guide all parties involved in processing student payments as to whether a payment is aid or wages. There will be times when monies given to students contain a service component, and based upon the attributes of the required service, they should be reported as wages and paid through payroll rather than financial aid and the student information system. These guidelines define the differences in classifications to assist in the proper disbursement of student payments per IRS regulations for tax reporting and comply with CSU policy related to student employment.

Payments with Service/Research Component: Financial Aid or Wages Decision Tree



Process

When determining whether a payment to a student constitutes aid or wages, departments should reference decision trees, as well as review the questions below.

If questions remain after answering questions below, it is recommended to have all appropriate parties involved in payments to students review the scholarship to determine proper classification.

Please review the following four questions which will assist in determining if the financial aid payment with service component should be considered aid or wages.

1. **Is the student the primary beneficiary of the services?**

   The services should first and foremost aid the student in their pursuit of studies. There may be mutual benefit between the student and CSUSM for the services, but the primary purpose of services performed should be education for the student. The point of the service component should also be clearly stated and documented by the payer.

   - If 'YES', payment should be considered aid (Financial Aid payment)
   - If 'NO', payment should be considered wages (Payroll payment)

   Example: Student is required to lead campus tours two days a week for potential students and visiting parents. This is plausible for perhaps Tourism and Hotel Management scholarship, but most likely not plausible for a Biology student award. The service component should be related to the student's pursuit of studies at CSUSM and related to the course of study. Otherwise, CSUSM is primarily benefiting from the services, not the student.

OR

2. **Would the service continue to be necessary if the student was unable to perform or complete the task?**

   If CSUSM would have to use an existing employee (or hire a new one) to perform the services the student could not complete, this scenario primarily benefits CSUSM and should be paid as employee wages.

   - If 'YES', payment should be considered wages (Payroll payment)
   - If 'NO', payment should be considered aid (Financial Aid payment)

   Example: Student is required to tutor fellow students 10 hours a week in a subject related to student's studies and the tutoring schedule (hours/days of week) is set by the department. If student is not able to complete, an hourly employee would be assigned or hired to tutor students in the same capacity. In this case, the award should be employee wages.

OR

3. Are all students who receive a specific award required to perform the services?

If all students who receive the award are required to perform the services as part of the intended education experience (i.e., a practicum, field experience, or training), then the award is appropriate to pay through the student information system (as aid).

- If 'YES', payment considered aid (Financial Aid payment)
- If 'NO', payment considered wages (Payroll payment)

Example: "XYZ Scholarship" requires recipients to have 20 hours of "field experience" as a condition of receiving the award. In that scenario, all "XYZ" recipients' scholarships would be paid through the student information system (as aid). IF certain students receiving "XYZ" scholarship were not required to complete the field experience, those scholarships would be paid through payroll as wages.

OR

4. Is the payment being made on a quid pro quo (contingent) basis?

If payment is contingent upon future or current services to be performed (and not related to degree or class grade), the services are considered wages. Scholarships, by their nature, are typically not considered conditional (other than in the academic sense).

- If 'YES', payment considered aid (Financial Aid payment)
- If 'NO', payment considered wages (Payroll payment)

Example: Student is required to assist professor in research activity that is not part of requirements for their degree or class grade and will only receive award as the research is completed throughout the semester. Since payment is conditional upon completion of services, this is considered compensation as wages paid to employee. NOTE: Alternatively, there could be an example where the student must meet certain **academic** conditions (such as a certain GPA) and that would not be considered **services** to be performed.

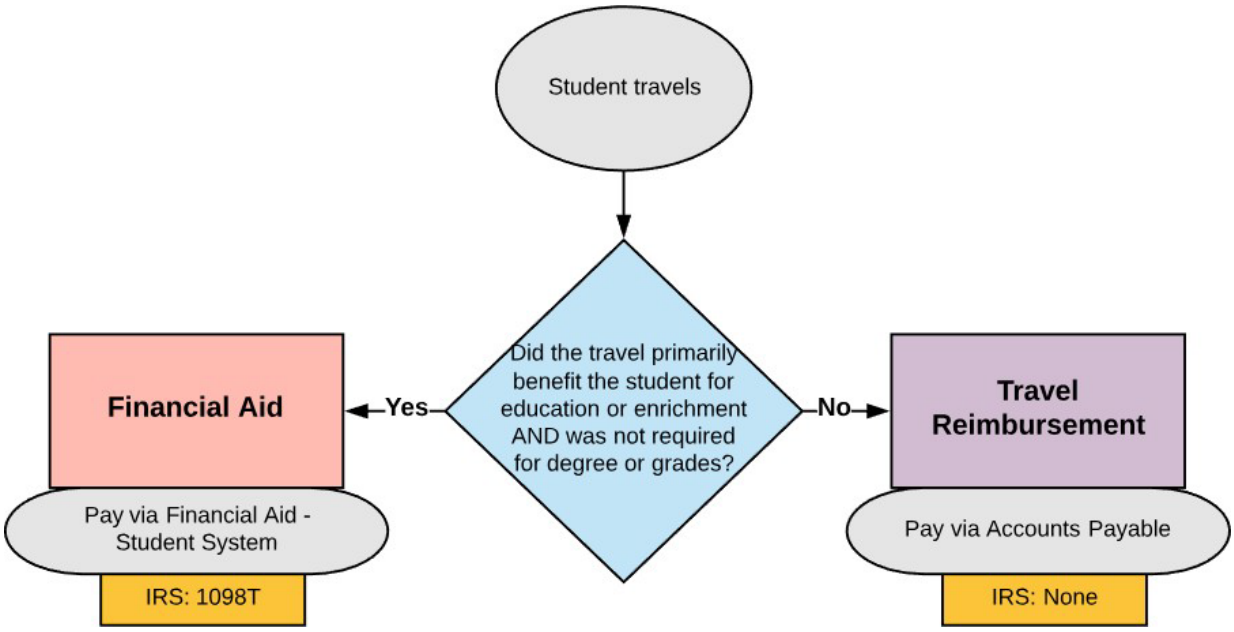
If, in the course of reviewing these questions, there is a determination of a legitimate service component of the award by any department involved in the processing of a payment to a student, clear documentation should be included with the award to explain why this service piece is adding the **student's** pursuit of study.

APPENDIX B - TRAVEL: FINANCIAL AID OR REIMBURSEMENT

Purpose

The purpose of these guidelines is to provide guidance to all parties involved in processing payments to students as to whether a payment should be considered as financial aid or reimbursement for travel. The classification of a payment to a student between financial aid (Scholarship/Fellowship, etc.) or travel reimbursement is important. While every effort will be made to do what's in the best interest of the student, CSUSM must comply with federal financial aid regulations and IRS rules.

Aid or Travel Reimbursement Decision Tree



1. How to Determine if Travel Benefitted Student for Education or Enrichment

CSUSM defines a payment to student for travel as a travel reimbursement if:

- As part of the travel, the student is formally representing CSUSM by presenting, serving, or participating.

CSUSM defines a payment to student for travel as a financial aid if:

- As part of the travel, the student is an attendee, and not formally representing CSUSM.

Payments for travel that are paid as a financial aid will be paid through the student information system (PeopleSoft), appear in Box 5 on the student's 1098-T tax form, and would be considered taxable (responsibility of reporting as income is with the student). The IRS considers this taxable, as the payments are not towards qualified expenses (tuition, books, equipment required for a course, or room and board).

Payments for travel that are paid as a reimbursement are nontaxable.

2. Examples of reimbursable travel (Accounts Payable Payment):

- Student represents CSUSM at a college fair
- Student travels to Washington to represent CSUSM in a scholastic competition
- Student travels to Arizona to present at a conference, where the student's name is published (poster, website, brochure) representing CSUSM
- Student is both a student and employee of CSUSM, and travel is in the capacity of an employee

3. Examples of scholarship travel (Financial Aid payment):

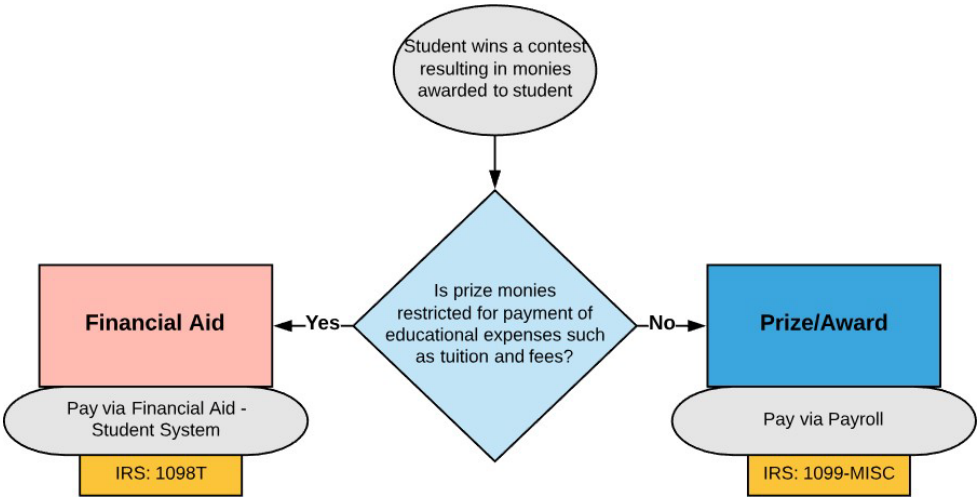
- Student travels to a conference in Washington as an attendee and does not present/contribute on behalf of CSUSM.
- As part of travel, student is performing student-led research or activities where CSUSM receives little to no benefit
- Student travels to China for Mandarin language training which will assist in language proficiency needed for degree. This is supplemental work that may help the student succeed, but it is not a required part of the degree or class, nor does it benefit CSUSM.

APPENDIX C – CONTEST WINNINGS: PRIZE OR FINANCIAL AID?

Purpose

The purpose of these guidelines is to provide guidance to all parties involved in processing payments to students as to whether a prize should be labeled as such, and therefore, paid via Accounts Payable, or a scholarship (financial aid), and paid via Financial Aid/Student System.

Prize or Aid Decision Tree



The IRS considers prizes intended for the purpose of assisting a student with the costs of attaining a degree (tuition, fees, books, equipment required for a course, or room and board) as financial aid.

Payments or monies won in a contest are considered financial aid whenever the following condition applies:

- The recipient is required to use the monies for educational costs

Payment from a contest that can only be used for educational costs is considered financial aid. For example, a competition is held and prizes for 1st, 2nd, and 3rd places are awarded to students who must use the competition prize towards their educational expenses. In this instance, the competition's "prize" would be considered financial aid and should be processed via the Financial Aid Office through the student information system.

Payment from a contest where the monies are not required to go towards the student's cost of pursuing a degree would be considered a "Prize."

Prizes would be included as taxable income to the recipient (on Form 1099-MISC) if the student were to receive $600 or more in a calendar year.

The determination of whether a payment from a contest is classified as financial aid or a prize should be determined prior to the contest.

APPENDIX D – ACCOUNT CODE MATRIX

Account Codes for Student Payments*

Activity	Account
Scholarship	609008 – Financial Aid Student Scholarships
Wages	601303 – Salaries SupStf Student Assistant 602001 – Work Study on Campus 602802 – Work Study Off Campus Comm Svc
Travel	606803 – Travel In State Student 606804 – Travel Out of State Student
Prize	660820 – Other Hospitality

*These accounts are for student payments related to this policy.

APPENDIX E: REFERENCES

California Code of Regulations, Sec 42500 (d)

CSU Coded Memo ASA-2016-10

CSUSM Student Employment Policy & Guidelines

CSU Volunteer Policy (HR 2015-10)

Federal Financial Aid regulations

Higher Education Act of 1965

IRS & Miscellaneous Income (Form 1099-MISC)

NACUBO Advisory 18-06

Tax Benefits for Education (IRS Publication 970)

Tax Treaty Countries for International Student Scholarships

Taxable and Nontaxable Income (IRS Publication 525)

CSU Business and Travel Expense Reimbursements Policy