



STUDENT PAYMENT CATEGORIES

Student payments are classified into four general categories:

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 made via the Financial Aid and Scholarship Office and the student information system (PeopleSoft), with the IRS reporting via 1098-T.
2. **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). These payments are paid via SJSU Payment Services with IRS reporting via Form 1099-MISC. These payments are considered non-educational direct payments.
3. **Travel Reimbursements** - Payments that reimburse students for travel whenever, via the travel, a student is formally representing SJSU (SJSU is the primary beneficiary of the student travel). There is no IRS reporting.
4. **Wages** represent compensation for services rendered where SJSU is the primary beneficiary. Payroll processes the payments, which are subject to IRS reporting via form W-2.

FINANCIAL AID-EDUCATIONALLY RELATED AWARDS (SCHOLARSHIPS/GRANTS/FELLOWSHIPS)

The taxability of educationally-related awards is governed by Internal Revenue Code (IRC) Section 117. This type of award is defined as an amount paid or allowed to, or for the benefit of, a student to aid such an individual in pursuing his studies, including independent research that does not directly benefit the grantee. Individuals receiving educationally-related awards do not provide services to the grantor where the grantor benefits from the work or research done by the individual.

A requirement that a recipient furnish periodic reports to the grantor to keep the grantor informed about the individual's general progress does not constitute the performance of services.

SCHOLARSHIPS

A scholarship is generally paid to benefit a student at an educational institution to aid in pursuing studies. The student may be in either a graduate or an undergraduate program. Scholarships can be either qualified or nonqualified:

A qualified scholarship pays for tuition and related expenses at a qualified educational institution, such as any CSU. Tuition includes amounts paid for enrollment and “related expenses,” including fees, books, supplies, and course equipment. A qualified scholarship is nontaxable to the recipient.

TRAVEL REIMBURSEMENT

Only travel where the student formally represents SJSU while presenting, serving, or participating can be considered a travel reimbursement—with no IRS reporting.

As part of travel, where the student did not formally represent SJSU, then:

If the student is an SJSU student in a degree-seeking program and eligible for financial aid, consider it a financial aid payment.

If the student is an SJSU student but not in a degree-seeking program (therefore not eligible for financial aid), then the payment is processed through Payment Services (subject to IRS 1099 or 1042S)

If the recipient is not an SJSU student, process through Payment Services (subject to IRS 1099 or 1042S)

WAGES OR COMPENSATION FOR SERVICES RENDERED (EMPLOYMENT)

A payment is considered compensation for services if:

the amount represents payment for past or present employment services, the student is paid a fair market value wage for the service provided, and an employee/employer relationship exists, which is defined as:

- The work to be performed is part of the regular business activity of the university, including planned time schedules and breaks.
- The student is subject to discipline or discharge under University personnel policies and may be discharged at the University's discretion.
- The individual can quit or be terminated anytime, and payments will only be made for services already rendered.

Examples of student employment include work as a student assistant, work-study student, lab assistant, tutor, exam proctor, or research assistant.

Research or service payments: refer to the Decision Tree below to determine if the student payment is considered financial aid (1098-T) or wages (IRS W-2).

Effect on financial aid eligibility: Payment for employment does not directly affect a student's eligibility for need-based federal, state, or institutional aid. Students receive W-2 forms, and earnings are accounted for in their adjusted gross income, if applicable when they apply for financial aid for the next year.

NOTE ON STIPENDS

The term **stipend** is used broadly to describe a variety of student payments. Stipends may be paid for class participation and/or general educational support. Stipends may have accompanying terms and conditions, and the stipend may be gradually adjusted or completely suspended if those terms and conditions are not met. Terms and conditions may include enrollment in a

point average. Any such terms and conditions will be stipulated in the award agreement issued by the sponsor.

Payment Workflow

