COLORADO STATE UNIVERSITY
Financial Procedure Instructions
FPI 2-5

1. **Procedure Title:** Payments to Students

2. **Procedure Purpose and Effect:** Student payments often have implications for financial aid and/or tax or other reporting. This procedure defines the proper methods for payments to students of the University. Different procedures often apply to payments made to Foreign Nationals. Please direct specific questions to the Foreign Tax Office.

3. **Application of Procedure:** This procedure applies to all Campus Departments. The nature and substance of the payment, as well as the fund making the payment and employee status of the student are the determining factors for proper classification, rather than the form of payment. University employees who approve payments to students must understand the nature of the payments and the contents of this procedure.

4. **Exemptions:** Any exemptions to this procedure needs to be approved by the Executive Director of Business & Financial Services.

5. **Definitions:**

   A. **Compensation:** Compensation is an amount paid to a student in return for services rendered. Compensation is divided into two categories – dependent and independent. Determining whether income is dependent or independent generally relates to the amount of control the payor exercises over the payee in the performance of the service. See FPI 2-19 for more detail.

   B. **Crisis Grants and Consolidated (Emergency) Short Term Loans:** Crisis grants and short term (emergency) loans are nominal amounts of money paid to students. Grants may be used to assist a student who faces serious financial hardships due to unanticipated expenses and are not repaid. Short term loans may be given to students in good standing with the University and must be repaid at the end of each semester.

   C. **Fellowships/GRA Predoc:** A fellowship is an amount paid to, allowed to, or for the benefit of a student to aid them in their pursuit of research. Fellowships are based on future or continuing research activity. Fellowships are not compensatory and do not require the performance of a service.

   D. **Honorarium Payment:** A voluntary payment to a professional person outside the University community as an expression of thanks where payment isn't required. An example may include a voluntary payment for preparation time, travel and/or accommodations to a lecturer or guest speaker.

   E. **Incentive Payment:** Please see FPI 2-10: Research, Survey and Other Related Incentives.

   F. **Material Award:** All cash and cash-equivalent awards regardless of value and non-cash items valued at or above $100.

G. **Prizes and Awards:** Prizes and awards are payments made to individuals in recognition of some past accomplishment, including academic achievements in an educational, literary, artistic, or scientific field. Prizes and awards are not awarded with the intent to finance any future accomplishments of an individual and no conditions are imposed on the way the prize or award may be expended by the recipient. For purposes of this instruction, there is no difference between a “prize” and an “award”. The term “award” will be used exclusively in this document from this point forward. All awards require a written statement signed by the appropriate college dean or vice president, including documentation of the purpose of the award, criteria for eligibility, and selection process.

H. **Scholarships:** Scholarships are amounts paid to, allowed to, or for the benefit of an undergraduate or graduate student to aid such individual in pursuing their studies. Scholarship payments are based on future or continuing educational activity. Scholarships are not compensatory and do not require the performance of a service. Scholarship payments may be in the form of tuition and fee remission as well as support for non-educational expenses.

I. **Stipend:** A Stipend is a payment made to a student for living expenses, unlike salary or wages, which are paid to an employee. Stipend payments for living or personal expenses are taxable income, whether or not an actual transfer of cash or other property has occurred, and the recipient should set aside money and/or pay estimated tax payments to ensure that their personal income tax liability is paid. Depending on a student’s total resources for an academic year, receiving a stipend may impact their financial aid package. For more information, refer to the Title IV Federal Student Aid Overaward provisions, as detailed in 34 CFR 673.5. Please note, graduate student stipends for assistantship awards are compensatory. They are treated as wages for tax purposes and are paid through payroll. Please see the Graduate School website for more information on assistantship awards.

J. **Student Reimbursements:** Direct payments to students should be minimized whenever possible. In the rare instance a student incurs an expense, reimbursement may be considered only if the expenditure was authorized in advance and the University is the primary beneficiary. All approved reimbursements not originally processed through the student account must be processed via a disbursement voucher.

K. **Student Volunteer:** A student who freely offers to take part in an activity or undertake a task. If a student is getting paid for volunteering, this is considered compensation and the student is no longer considered to be working on a voluntary basis. A student who is volunteering may be given a thank you gift which falls under the award definitions, depending on the cost of thegift.

L. **Token Award:** Tangible items that are valued at less than $100.

M. **Tuition and Fee Remission:** Payment of specific tuition and fee charges from university or sponsored program funds. Tuition and fee remissions for employees and tuition remission for Graduate Assistants are considered an employee benefit. Tuition and fee remissions for non-employees are considered a scholarship. Tuition remission for graduate assistants is considered non-taxable and is reported on the student’s Form 1098-T. Tuition and fee remission for non-graduate assistant regular employees are reported to Payroll and may be reported on the employee’s W-2. Tuition and fee remission for non-employees is reported as a scholarship on Form 1098-T.

6. Procedure Statement:

A. Determine the appropriate payment method based on the definitions above. Specific procedures for making a payment for student compensations, crisis grants and short-term loans, fellowships, awards, scholarships, stipends, and student reimbursements are available in the offices listed below:

1. Human Resources/Payroll – the payment is compensation for services performed for the University by an employee, as defined in FPI 2-19, including graduate assistant wages. For additional information regarding student employment and payroll, contact Human Resources.

2. Business & Financial Services/Accounts Payable – if the payment is for compensation to students who are independent contractors as defined in FPI 2-19, they are paid through Accounts Payable.

a) For assistance in determining independent contractor status, refer to page 5 of the Human Resource Services Manual, FPI 2-19 and the Independent Contractor Questionnaire on the Business and Financial Services website, or contact the Accounts Payable office directly.

3. Business & Financial Services/Accounts Receivable – if the payment is for a current student for Fellowships/GRA Predoc, stipends and/or tuition and fee remission, they are paid through Accounts Receivable Operations (ARO). All current student stipend payments are paid through ARO. This ensures proper routing and approval through departments at CSU that need notification of payments to students. It also allows for any financial aid or other student account adjustments to be made, if needed.

4. Office of Financial Aid – Many types of scholarships and fellowships exist. Contact the Office of Financial Aid for additional information regarding these types of payments, or if the payment is a crisis grant or consolidated (emergency) short term loan.

B. Payment of awards by Business & Financial Services/Accounts Payable:

1. Material/Token awards:

a) Procurement. Arrange purchase with a disbursement voucher, purchase order or procurement card as appropriate. Refer to the Purchasing Manual
b) Documentation. All documents submitted for payment must identify the recipient's name, Taxpayer Identification Number or Social Security Number (TIN or SSN), and include a written statement signed by the appropriate college dean or vice president, documenting the purpose of the award, criteria for eligibility, and selection process.
c) Object Codes. 6659 for Employee Awards and 6660 for Non-Employee Awards.
d) All cash and cash-equivalent awards, and non-cash items valued at or above $100, are material and considered as a part of the employee's compensation and therefore constitute taxable wages subject to Medicare, income tax withholding, and W-2 reporting requirements. Income will be imputed to the employee for the amount or value of the award. All Material Awards of cash or cash equivalents must be reported to the Payroll Department when made. Cash-equivalent awards purchased internally, i.e. RamCash and Bookstore gift cards, should also include the documentation on the Internal Order (IO) document.

2. Cash Awards to Students:

   a) Procurement. For all awards of cash – either check or ACH payment, submit a memo to Payroll. Payroll will research whether the student recipient is a university employee, or not.
      i. If an award recipient is a student employee, the award amount will be added to the employee's regular salary, subject to normal withholding, and paid on the standard payday. If a special check is required, the sponsoring department must notify Payroll at least two weeks in advance.
      ii. If the award recipient is a CSU student that is not an employee, the award needs to be added to the student's account rather than being paid in cash. See section 6.C. below.
      iii. If the award recipient is a non-employee and no longer has a CSU student account, please submit a Disbursement Voucher to Accounts Payable and a check will be prepared and mailed to the former student.
   b) Documentation. The memo submitted to Payroll must include the recipient's Taxpayer Identification Number or Social Security Number (TIN or SSN), and a written statement signed by the appropriate college dean or vice president, documenting the purpose of the award, criteria for eligibility, and selection process.
   c) Object Codes. 5705 for Employee Cash Awards and 6660 for Non-Employee Awards

3. Student Reimbursements:

   a) Direct payments to students should be minimized whenever possible, as the department is expected to utilize university resources in order to preserve and maximize its tax-exempt status. In the rare instance that a student incurs an expense, reimbursement may be considered only if the following criteria are met:
      i. The expenditure was authorized in advance; and
      ii. The University is the primary beneficiary of the expense.
   b) Reimbursements for expenses originally posted to the student account must be processed through the student account. All other approved reimbursements must be processed via a disbursement voucher.

C. Payment through Business & Financial Services/Accounts Receivable Operations (ARO):

1. Payments made to student accounts are subject to different financial accounting and/or tax treatment, depending on the type of payment and the employee status of the student. See the Department Payment Processing Matrix posted on the Accounts Receivable website.

2. Payments of Graduate Health Insurance Stipends are processed each semester for graduate students who carry the University's health insurance. These stipends are paid through an upload by the Graduate School as a credit to the student account. These credits do not appear on Form 1098-T but do show as taxable income on the W-2 issued by Payroll.

3. Cost of living stipends for students and employees who are also students, are processed through the student account by submitting a Department Payment to Student Account (DPSA) Form, along with the Stipend Approval Form to the ARO. If there is an amount due to the university on the student account, ARO will issue the full stipend amount via a refund

to the student, regardless of an amount due. Proof of a stipend payment not on 53 accounts must be submitted to ARO for the payment to be processed as described in this section. Proof could be a contract with the student or other documentation providing the payment is for cost of living or the benefit of the student, not compensation.

4. Tuition/fee remission payments on current student accounts are processed via a DPSA form unless the tuition/fee remission is for a Graduate Assistant or GRA-Predoc. Tuition remission for Graduate Assistants and tuition and fee remission for GRA Predocs are processed via the Sponsor Billing Portal. There will be an initial cut-off date for the Portal to secure a first round of Department Billing, however the Portal will remain open for out of cycle uploads and subsequent second round of Department Billing each term. For additional portal instructions, please visit the ARO website.

   a) Identifying Students. Graduate Assistant and GRA Predoc lists are uploaded each term into the portal by each respective department. Department personnel should review the students included on the list for accuracy. It is the department's responsibility to monitor and adhere to notifications of portal deadlines from ARO for timely transfers of tuition and/or fee remissions from student to department account and Department Billing.

   b) Invoicing within the portal
      i. Department users enter KFS account numbers and object codes within the portal
      ii. The portal will route to the appropriate fiscal officer(s) for approval
      iii. The portal will route to and be approved by the Graduate School
      iv. ARO will generate a TWARBUS batch in Banner/ARIES once proper routing and approvals are complete within the portal and fed to KFS
      v. The payment of tuition and/or fee remission by a department may be reported on Form 1098-T for the student

7. **Reference and Cross-References:**
   - **A.** Department Payment Processing Matrix
   - **B.** FPI 2-10
   - **C.** FPI 2-19
   - **D.** Title IV Federal Student Aid Regulations (Code of Federal Regulations, Title 34, Part 673)

8. **Forms and Tools:**

   Department Payment to Student Account Form
   Stipend Approval Form