

## Scholarship, Fellowship and Participant Payments

Scholarship, fellowship and participant payments are amounts paid to an individual to aid and support that individual in the pursuit of study, training or research. Scholarship recipients include undergraduate or graduate students. For recipients who are not degree-seeking students, such as post-doctorates or faculty members, the funding may be referred to as a fellowship. For discussions of tax treatment, the Internal Revenue Service (IRS) uses the terms scholarship and fellowship interchangeably. Payments to support various categories of individuals involved in learning or training activities supported by federally sponsored agreements may be designated by the sponsor as participant payments. Participant payments share many of the attributes of scholarship or fellowship payments and are subject to similar tax treatment, therefore are included in the processes described in this chapter.

The object codes listed in the table below have been established specifically for payment of scholarships and fellowships from all eligible fund sources and for payment of participant costs from federally sponsored agreements. Proper use of the object codes is critical to ensuring that the University is able to meet all related compliance and reporting responsibilities.

Kansas State University has additional compliance and reporting responsibilities when payments are to or on behalf of Nonresident Aliens (NRAs). Such payments may be subject to additional withholding requirements at the time of payment. Details related to these requirements can be found at <http://www.k-state.edu/finsvcs/generalaccounting/nonresidentialalienscholarships.html> , or you may contact General Accounting for assistance.

THIS GROUP OF OBJECT CODES IS NOT TO BE USED FOR:

1. Payments to individuals related to services they are providing to Kansas State University as employees, consultants, or independent contractors.
2. Payments to speakers, presenters or other individuals conducting the related learning or training activities.
3. Payments for tuition for full-time benefits eligible employees. Such payments must be approved under the Kansas State University Tuition Assistance Program. See PPM Chapter 4870 for details regarding this program.

FIS Object Code	Payee	Processing methods and notes	KSU IRS reporting obligation (when recipient is a U.S. citizen/resident)
E5610 – Tuition in lieu of salary	The KSU Cashier's Office on behalf of a KSU student employed as a GRA.	▪ Departmental Sponsorship Form must be completed and submitted to the Cashier's Office. The departmental account(s) designated on the form will be charged on an Interfund Voucher prepared by the Cashier's office.	KSU Human Capital Services will deduct required withholding on the GRA's subsequent paychecks.  Amount paid will be included as wages on the GRA's IRS W-2, Wage and Tax Statement.

<b>FIS Object Code</b>	<b>Payee</b>	<b>Processing methods and notes</b>	<b>KSU IRS reporting obligation (when recipient is a U.S. citizen/resident)</b>
E5620 – Non-student Trainee Fellowship	The individual trainee.	<ul style="list-style-type: none"> <li>▪ Agency Payment voucher</li> <li>✓ A W-9 must be submitted or already on file for the payee.</li> </ul>	Self-reportable by taxpayer (payee) as applicable. KSU has no IRS reporting obligation.
E5630 – Trainee Travel	The individual trainee (including KSU students), or a vendor on behalf of the trainee.	<p><u>Travel reimbursements</u></p> <ul style="list-style-type: none"> <li>▪ Agency Payment voucher, in cases where detailed receipts are provided at time of payment. When paying an individual, a W-9 must be submitted or already on file for the payee</li> <li>▪ Business Procurement Card</li> </ul> <hr/> <p><u>Travel awards</u> to K-State students should be processed using the K-State Scholarship Confirmation Form and will be processed as E5660.</p> <ul style="list-style-type: none"> <li>✓ The Office of Student Financial Assistance will process the award and adjust the cost of education for the student where appropriate.</li> </ul>	Self-reportable by taxpayer (payee) as applicable. KSU has no IRS reporting obligation.
E5640 – Trainee Fees and Supplies	A vendor on behalf of the trainee.	<ul style="list-style-type: none"> <li>▪ Agency Payment voucher</li> </ul>	Self-reportable by taxpayer (payee) as applicable. KSU has no IRS reporting obligation.
E5650 – Trainee Room and Board	A vendor on behalf of the trainee for local room and board – not for lodging or subsistence while in travel status.	<ul style="list-style-type: none"> <li>▪ Agency Payment voucher</li> <li>▪ Business Procurement Card</li> </ul>	Self-reportable by taxpayer (payee) as applicable. KSU has no IRS reporting obligation.

FIS Object Code	Payee	Processing methods and notes	KSU IRS reporting obligation (when recipient is a U.S. citizen/resident)
E5660-Scholarships*	KSU student(s).  <b><i>*Not allowable on research grants</i></b>	<ul style="list-style-type: none"> <li>▪ K-State Scholarship Confirmation Form.</li> <li>✓ The Office of Student Financial Assistance will process the award as a scholarship, applying it against the student's account where applicable.</li> </ul>	Amounts paid are included in the procedures used to generate the IRS 1098-T, Tuition Statement.
E5690 – Prizes and Awards	Individual receiving prize or award.	<ul style="list-style-type: none"> <li>▪ Agency Payment voucher</li> <li>✓ A W-9 must be submitted or already on file for the payee.</li> </ul>	K-State includes the appropriate amount on IRS 1099-MISC, as Other Income (Box 3).
E5692 - Non-employee compensation	Non-employees providing services to KSU under federally funded agreements where amount must be exempted from indirect cost charges.	<ul style="list-style-type: none"> <li>▪ Agency Payment voucher</li> <li>✓ A W-9 must be submitted or already on file for the payee.</li> </ul>	K-State includes the appropriate amount on IRS 1099-MISC, (Box 7).

### Object code details:

#### **E5610 – Tuition in lieu of salary**

This object code is used when a department has included tuition and fees in the compensation package of a student who is employed at KSU as a Graduate Research Assistant (GRA) and will be paying the tuition and fees on behalf of the student. Processing the payment in this manner is for the convenience of the student and does not change the fact that the purpose of the payment is for services rendered (employment). The amount paid will be reflected on the student's W-2 as compensation for services.

#### **E5620 – Non-Student trainee fellowship**

For payment directly to an individual who is not a degree-seeking student at KSU. Also may be used for a KSU student participating in training activities during a single term in which they are not enrolled or receiving federal financial aid. Payments in this category are normally pre-established amounts paid out on a regular basis and are intended to defray living expenses and other related costs of the individual's pursuit of study, training, or research. Examples include, but are not limited to

- undergraduate students participating in NSF Research Experiences for Undergraduates (REU's) summer site programs,
- primary and secondary school teachers participating in NSF Research Experiences for Teachers (RET's) programs,
- primary and secondary school students participating in U.S. Department of Education TRIO programs (Upward Bound, etc.).

Please select flag, *"Trainee is not an enrolled KSU student for the term in which aid is being dispersed."* to all APVs and include the time period the aid covers (i.e. 6/1/2015-6/30/2015).

#### **E5630 – Trainee travel**

Travel *reimbursements* consist of travel costs substantiated by detailed receipts at the time of payment, including meals, transportation and lodging, whether paid directly by the traveler or purchased on their behalf.

Travel *awards* to KSU students are made when detailed receipts are not required at the time of payment. These payments are considered to be a form of student aid and should be processed as such using the KSU Scholarship Confirmation Form.

#### **E5640 – Trainee Fees and Supplies**

For payments made to a vendor on behalf of a participant or KSU student to purchase items needed for the individual to participate in or carry out the designated event or training program. Examples would include purchases of books, lab supplies, or entry fees.

#### **E5650 – Trainee room and board**

For payments made to a vendor on behalf of a participant or KSU student for room and board while participating in a training event or program. Typically not used for requesting reimbursement of costs incurred while in travel status.

#### **E5660 – Scholarships**

Amounts paid to a KSU student to provide support for study or research during a semester in which the student is enrolled. Scholarships must be processed through the KSU Office of Student Financial Assistance, using the KSU Scholarship Confirmation form. For aid related to study or research activities that provide support during a single term in which a K-State student is not enrolled (such as summer term), or that involve non-KSU students, see E5620.

***Scholarships are not allowable on research grants***, but may be allowable on training grants. For research grants or other non-training grants, see E5610.

#### **E5690 – Prizes and Awards**

Prizes and awards to non-employees that are not for services performed. This code should not be used for payments to a KSU student when the prize or award is related to coursework or academic achievement. In such cases, the payment is considered to be a scholarship and should be coded and processed under E5660 (see above).

#### **E5692 – Non-employee compensation**

For payments to non-employees who are providing services or carrying out tasks under a federally sponsored award, where the payments are budgeted as costs not subject to indirect cost (F&A costs).

These payments are essentially the same in nature as those that normally would use the E2690 object code, but must be accounted for in a manner that prevents indirect cost charges. Examples include but are not limited to

- Volunteer and professional firefighters involved in federally funded training activities that support local and national fire mitigation objectives.
- Experts in mentorship, mediation, etc. who are providing short term support or services for federally funded public service and outreach projects.