

HOFSTRA UNIVERSITY
Policy and Procedure

Subject: **Payments to Students and Their Taxability**
Date Last Revised: February 29, 2016
Responsible Office: Student Financial Services and Financial Affairs

Policy Statement

Hofstra University makes various payments to students for tuition and fees, teaching, research, and other education-related activities. It is essential that care be taken to classify these payments correctly for tax purposes. This policy addresses the various types of payments made to students, including scholarships, stipends, prizes and awards, compensation for services, refunds and reimbursements. Additionally, this policy defines the taxability of the various payments and which payments the University must report to the Internal Revenue Service (IRS).

The reporting and taxation of student payments are governed by the Internal Revenue Code and Treasury Regulations and enforced by the Internal Revenue Service (IRS).

Qualified Education Expenses

Scholarships for qualified education expenses are not taxable when provided to a candidate for degree at an educational institution. Qualified education expenses are limited to the cost of tuition and fees, or course-required expenses (required fees, books, supplies, equipment).

Non-Qualified Education Expenses

Scholarships for non-qualified education expenses are always taxable to students. Non-qualified education expenses include room/board, travel, research, living allowances, etc.

Therefore, any scholarship or grant that is designated for room or board is taxable. Also taxable is any combination of gift aid scholarships and grants, including Pell Grants, Supplemental Educational Opportunity Grants, athletic awards, undergraduate or graduate scholarships which exceed the cost of tuition, required fees and textbooks.

Definitions

Qualified Scholarship

Qualified Scholarships includes payments to students enrolled in a degree program or credits to a student's accounts used only for "qualified tuition and related expenses," which are limited to tuition and required fees, books, supplies or equipment.

Qualified scholarships may not exceed the stated tuition and fee amounts. Qualified scholarships are not taxable income to the student. Qualified scholarships are reported by the University on IRS Form 1098-T.

Non-Qualified Scholarships and Other Taxable Student Payments

The following student payments are taxable:

a. *Non-qualified Scholarships*

Non-Qualified Scholarships are payments or credits to a student's account for optional fees, room, board, travel and personal expenses. All non-qualified scholarships are taxable to the student. For domestic students, the University reports the amounts on IRS Form 1098-T (along with qualified scholarships). For international students, non-qualified scholarships are reported on IRS Form 1042-S, and are potentially subject to income tax withholding.

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b. Prizes and Awards

Prizes and Awards are payments in recognition of charitable, scientific, educational, artistic, literary, or civic achievement, or are received as the result of entering a contest. Prizes and awards are always taxable. If certain thresholds are met, the University will report the prize or award to the IRS and the student on IRS Form 1099-MISC, or for international students on IRS Form 1042-S.

c. Living Allowance Stipend

Living allowance stipends and scholarships are generally taxable to the student. Living allowance stipends never involve services as it relates to work; stipends relating to services are always taxable and require that the University report them to the IRS. Stipends may include payments to the student or credits to a student’s account.

While living allowance payments are taxable to the recipient, they are not reportable as taxable income by the University to the IRS on any Form, including the W-2, 1098-T, 1042-S or 1099-MISC.

d. Compensation for Services

Compensation for services related to work includes payments for teaching, research and/or other activities performed for the benefit of the University. Payments received in connection with the performance of service by a student are taxable income, and may be subject to federal, state and FICA withholding. All such payments are processed through Human Resources/Payroll.

Summary of Payments to Students and Taxability

<i>Payment Type</i>	<i>Examples</i>	<i>Taxability</i>	<i>University Reports to IRS on Form</i>
Qualified Scholarship	Scholarships for tuition and required fees, books, supplies, equipment to candidates for a degree	Not taxable	1098-T
Non-Qualified Scholarship	Scholarships for room, board, optional fees, travel and personal expenses	Taxable	1098-T – domestic students 1042-S-international students, withholding subject to country tax treaty
Prizes and Awards		Taxable	1099-Misc – domestic students 1042-S –international students, withholding subject to country tax treaty
Living Allowance Stipends		Taxable	No
Compensation for Work	Paid employment	Taxable	W-2 –domestic students 1042-S –international students
Student Refunds	Refund for loans/overpayments	Not taxable	No

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Important:

- All students receiving non-qualified scholarships and other taxable student payments are required to have either a Social Security Number (SSN) or an Individual Tax Identification Number (ITIN). International students not eligible for a SSN can file a Form W-7 for an ITIN. Form W-7 can be located at: <https://www.irs.gov/pub/irs-pdf/fw7.pdf>.
- Students should always maintain documentation to support information reported by the University to the Internal Revenue Service and seek professional tax advice to ensure compliance with IRS regulations.
- While the University is not required to report all taxable payments, students remain responsible to the IRS for any tax amounts due in connection with those taxable scholarship and other taxable amounts. It is the responsibility of the individual receiving the nonqualified scholarships and other taxable student payments to report such amounts as required on their personal income tax return.
- Students should consult their tax advisor regarding any tax obligations that may arise in connection with scholarships, prizes, stipends and compensation.