

Financial Services Manual (FIN)

FIN 422–01: Student Financial Support

Effective: 11/1/2008

Revised: 7/1/2022

Purpose

To describe the payment of student financial support to ASU students

Sources

Internal Revenue Service

University policy

Policy

Noncompensatory Support

Noncompensatory student financial support includes ASU-awarded scholarships, fellowships, grants, and noncompensatory stipends, including tuition and registration fee waivers, for which the student is not required to perform any type of service, including research-related services, internships or other participation. For example, the award of a graduate student's tuition waiver cannot be contingent upon his or her performance of duties as a teaching assistant. If the student is required to perform services of any kind, payment must be made through the ASU payroll system or, on a limited basis, as an independent contractor. The Tax Unit of Financial Services is available to offer assistance in determining whether services are being provided under a particular scholarship, fellowship, grant, stipend, or waiver and if so, whether employee or independent contractor treatment is appropriate.

Most noncompensatory student financial support is required to be processed through the university's student financial aid system administered by Financial Aid and Scholarship Services. However, a limited number of noncompensatory student financial support payments (generally federally funded student grants) may be processed through the Financial Management System.

Income Tax Considerations

All awards, scholarships, fellowships, grants, and stipends to ASU students for which no services are required, whether paid through the Financial Aid and Scholarship Services or directly by a department, are taxable nonemployee income to the recipient, except for the portion of these funds used for tuition, registration, other university fees, books, supplies, and equipment required for the course(s) being taken. The recipient is responsible for determining the value of tuition, registration, other university fees, books, supplies, and equipment.

Although the university is not required to provide reporting to the Internal Revenue Service (IRS) on noncompensatory student financial support, students are encouraged to collect relevant information on their awards (and eligible expenses for offset) on an ongoing basis throughout the year in order to be able to easily evaluate the potential for taxable income. Additional information on the taxability of scholarships can be obtained from the following IRS publications and forms:

1. Publication 970 - Tax Benefits for Education

2. Publication 519 - U.S. Tax Guide for Aliens
 3. Form 1040EZ and Instructions - Income Tax Return for Single and Joint Filers with no Dependents
- and
4. Form 1040NR and instructions - U.S. Nonresident Alien Income Tax Return.

These publications and forms can be obtained from the Internal Revenue Service at a toll free number, 1-800-827-FORM, or the Web site at www.irs.gov/formspubs/index.html.

Additional Guidance and Requirements

For additional guidance on university and IRS requirements relating to fellowships, scholarships, and student cash awards, including tuition waivers, access the Financial Services Web site.

Payments to Nonresidents for U.S. tax purposes

For all noncompensatory student financial support payments paid to international students who are still considered nonresidents for U.S. tax purposes, additional documentation and review will be required. The IRS requires mandatory withholding of either 14% or 30% of the amount deemed taxable, unless there is a treaty with the student's country and correct documentation has been submitted. See [FIN 425-05](#) "Student Financial Support Payments to Nonresidents," for more information.

Compensatory Support

Payments for Continuing Services

Compensatory payments made to ASU students in exchange for services rendered on an on-going basis (assistantships, associateships, internships, stipends, etc.) to either ASU or another organization, e.g., a company with an internship, are taxable compensation. These payments must be established through the payroll system and are subject to payroll taxes being withheld from each paycheck.

Independent Contractor Payments

Compensatory payments made to ASU students in exchange for services rendered on a noncontiguous basis may be eligible for payment as independent contractors. These payments are taxable income and are reported to the Internal Revenue Service on Federal Form 1099. Guidance on payments under the independent contractor status is included in [FIN 421-01](#), "Guest Lecturers, Consultants, and Other Independent Contractors."

Additional Information

For information on coding, see the [Financial Services, Financial References Web page](#).

Cross-Reference

For information on independent contractor payments, see [FIN 421-01](#), "Guest Lecturers, Consultants, and Other Independent Contractors."

For information on financial support payments to postdoctoral fellows, see [FIN 422-03](#), "Postdoctoral Fellow Financial Support."

For information on student support payments to nonresidents, see [FIN 425-05](#), "Student Financial Support Payments to Nonresidents."

For information on financial assistance, see the *Student Services Manual*—[SSM 300](#) section, "Student Financial Assistance."