

Payments to Students

Effective: September 2018

Revised: April 2024

Last Reviewed: April 2024

Responsible Office: Student Registration and Financial Services

Approval: Student Registration and Financial Services

Responsibilities

School/Center

- Determine the nature of the payment to the student and ensure proper payment mechanism is used to disburse the payment.
- Authorize payments to students. In authorizing payment, the approver has reviewed the payment for completeness, appropriateness, and compliance with University policy and procedures.

Office of Student Registration and Financial Services (SRFS)

- Process tuition, fees and other charges as well as student aid through Pennant, the student system.
- Prepare and file Form 1098-T annually.

Comptroller's Office

Process payments through Workday. The Comptroller's Office does not review or audit such payment requests for appropriateness or compliance with University policy.

- Withhold and remit applicable federal, state, and local taxes.
- Prepare and file Forms W-2 and 1042-S.
- Analyze treaty benefits for payments to nonresident aliens.

Purchasing Services

- Process payments through the Accounts Payable system. While Purchasing Services reviews payment requests to ensure all required documents are submitted, it does not review or audit such payment requests for appropriateness or compliance with University policy.
- Withhold and remit applicable federal and state taxes.
- Prepare and file Forms 1099-MISC.

Definitions

Affiliated students - Individuals who are engaged in learning at Penn, other than post-doctoral or pre-doctoral trainees, but who are not earning academic credit at Penn. (e.g., students participating in non-credit certificate programs, continuing professional education, participants in research activities).

Certificate and non-degree students are those students who are enrolled in at least one course for academic credit and are not matriculated into a degree program.

Enrolled means registered in at least one course for academic credit and are matriculated into a degree program. Students not taking course work during the summer are considered “enrolled” if they are eligible to enroll the following fall semester and plan to do so.

Form 1098-T Tuition Statement – Penn must send Form 1098-T to any student who paid “qualified educational expenses” in the preceding tax year. This form provides information about educational expenses that may qualify the student – or the student’s parents or guardians, if the student is still dependent – for education-related tax credits. Penn is not required to send Form 1098-T to nonresident alien students, unless requested by the student.

Matriculated means those who have accepted admission into a degree program. Matriculated students who are not currently enrolled are either **incoming** (not yet enrolled in courses for the degree program) or **inactive**.

Non-qualified education expenses

Expenses that are not qualified education expenses (defined below). Examples of non-qualified education expenses include, but are not limited to, the following:

- Amounts paid for any course or other education involving sports, games, or hobbies, unless the course or other education is part of the student's degree program or is taken to acquire or improve job skills.
- Charges and fees for room, board, insurance, medical expenses (including student health fees), transportation, and similar personal, living, or family expenses.

Post-Doctoral Researcher/Fellow – A Post-Doctoral Researcher or Fellow is an individual who comes to the University for the principal purpose of furthering his/her personal development by engaging in research programs or advanced training programs, respectively. A Post-Doc is not considered a student and is outside the scope of this policy. For additional information please see [Policy for Postdoctoral Trainees at the University of Pennsylvania](#).

Pre-Doctoral Trainee – A Pre-Doctoral Trainee is a full-time graduate student enrolled in a degree program, who participates in training programs directly related to his/her degree.

Qualified Education Expenses

- Tuition and fees required to enroll at or attend an eligible educational institution; and
- Course-related expenses, such as fees, books, supplies, and equipment that are required for the courses at the eligible educational institution. These items must be required of all students in the course of instruction.
- For more information refer to <https://sfs.upenn.edu/policies/1098-t>

Stipend – Any type of payment made to a student

Student (for purposes of this policy) - A person enrolled in at least one course or other activity (e.g., dissertation research, field experience) that is offered for academic credit in a degree or certificate program at Penn, or a person matriculated into a degree program at Penn but not currently enrolled.

'Student' does not include Post-Docs or Penn-affiliated students (non-degree students and non-Penn students), those who are pursuing educational opportunities that do not earn academic credit in a degree program.

Policy

Mandatory Tuition and Fees

Payments made to students for mandatory tuition and fees for students enrolled at Penn, made in the form of student aid, should be applied directly against the student's account in the Student System.

Compensation

Payments made to students in return for services performed (including, but not limited to, work study, student workers, Teaching Assistants, Research Assistants, Teaching Fellows, Research Fellows, internships at Penn, and non-Pre-Doctoral trainees) are deemed to be compensation. These payments should be processed through Workday and are subject to applicable federal, state, and local payroll tax withholding. Refer also to the [Workday Job Profile Eligibility](#) matrix for eligibility for student job profiles.

Emergency or "Gap" Payments

Payments made to students in an emergency situation or where there is a gap between what is required for educational success at Penn and the student's economic means should be processed through the Financial Aid System. Students requiring such assistance should contact Student Financial Services, Suite 100 Franklin Building, 3451 Walnut Street, Philadelphia, PA 19104, which maintains a listing of emergency or gap payment funding sources available throughout the University.

Externships

An Externship is an internship that does not take place at Penn. Subsistence payments for externships should be paid through Penn Marketplace non-PO payment, object code 5344 Prizes and Awards.

Educational Fellows and Pre-Doctoral Trainees Support Stipends

Support payments made to students for Educational Fellowships or as Pre-Doctoral Trainees do not require service to be rendered by the student in order to receive the payment and are, therefore, not deemed to be compensation. Such payments are currently processed through Workday.

Gifts

The giving of gifts to students using University funds is prohibited.

Honoraria

Payment of Honoraria to students is ***prohibited***. Refer to [Financial Policy #2319.2 Payment for Honoraria](#).

Human Subject Payments

Payment of human subject fees to students participating in a research study should be made in accordance with [Financial Policy # 2319.1 Payment of Human Subject Fees](#).

Financial Policy #2319.1 states the preferred manner of making payments to human subjects is by using the Greenphire ClinCard. Human Subject Payments of over \$100 may be processed using the Greenphire ClinCard or through Penn Marketplace non-PO request using object code 5316 Human Subject Payments-Direct. Human Subject Payments of \$100 or less can be made using Greenphire ClinCard, petty cash, money orders or gift cards. Refer to the Financial Policy for more details.

Prizes and Awards

Prizes and awards are amounts received primarily in recognition of religious, charitable, scientific, educational, artistic, literary, civic achievement, or as the result of entering a contest. Payments deemed to be prizes or awards for purposes of this policy include graduation prizes, summer research awards, or other awards granted to students to perform personal research, etc.

Prizes and awards should be processed through Penn Marketplace non-PO request using object code 5344 Prizes & Awards.

Travel

Payments made to students for travel should be made as follows:

- **Reimbursement of travel costs while conducting business on behalf of Penn** – Payments made to students who travel for business as part of their job or while conducting business on behalf of Penn (e.g., assisting a professor at a conference with the presentation of the faculty member's research) should be processed through Concur, the University's travel system, in accordance with Penn's travel policies.
- **Travel costs in furtherance of student's education or related to a course** – Payments made to students who receive funding for travel costs related to their course of study (e.g., any payment made for travel required to receive credit for the course) should be processed through Student Financial Services. The School should request a SAM AIDID for each fund that it uses to issue travel awards to students. Documentation of the travel expense, educational requirement and award amount should be submitted to SFRS for review. SFRS will review the documentation, add the expense to the student's Cost of Attendance (if approved) and schedule the award for disbursement via the Student Aid Management system.
- **Travel awards** – Payments made to students to travel to enable them to perform research or other educational activity that is not required as part of their degree should be processed through Penn Marketplace via a non-PO payment request using object code 5345 Expense Reimbursement, which is used for travel and expense reimbursements for students, employees and guests that do not meet accountable plan rules for expense reimbursement (e.g., there is no bona fide business purpose).

Reporting

Mandatory Tuition and Fees - These payments are reported on form 1098-T for US Citizens and Resident aliens. Form 1098-T is provided to non-resident aliens (NRAs) only upon request. Non-qualified education expenses paid to NRAs are reported on Form 1042-S.

Non-qualified expenses may be taxable to the individual. No taxes are withheld on non-qualified expenses for US Citizens and Resident aliens. Non-qualified expenses paid to NRAs are subject to federal income tax withholding of 30% unless the payments are exempt from tax under the Internal Revenue Code or a tax treaty. Students who are temporarily present in the United States in F-1, J-1, M-1, Q-1, or Q-2 non-immigrant status are subject to a reduced 14% withholding rate on the taxable portion of the grant.

Compensation - Compensation paid to and taxes withheld on behalf of US Citizens and Resident aliens are reported on Form W-2. Compensation paid to and taxes withheld on behalf of NRAs is reported on Form 1042-S and Form W-2.

Educational Fellows and Pre-Doctoral Trainees – For US Citizens and resident aliens, these payments are not reported to the IRS by the institution; however, they may still be taxable to the individual. For NRAs, non-qualified expenses are reported to the IRS on Form 1042-S.

Emergency or “Gap” Payments - These payments may be taxable to the student and are reported on Form 1098-T for US citizens and resident aliens. Payments made to NRAs for non-qualified educational expenses are reported on Form 1042-S.

Human Subject Payments – The University is obligated to report to the IRS on Form 1099-MISC all US citizens and resident aliens receiving cumulative remuneration greater than \$600. The University will report to the IRS on Form 1042-S all NRAs receiving remuneration and/or out-of-pocket reimbursement greater than \$100 in any one calendar year.

Prizes and Awards - For US citizens and resident alien students, all prizes in the amount of \$600 or greater within a calendar year must be reported by the University to the IRS on Form 1099-MISC. It is the responsibility of all prize recipients, regardless of the amount of the prize, to report the taxable prize received to the IRS on their personal income tax returns.

For NRA students, the University is required to withhold 30% tax on the full amount of the prize unless the individual is exempt from taxation under a tax treaty. This information is reported to the IRS on Form 1042-S.

All prizes and awards (with the exception of qualified scholarships) are includible in gross income (Code Sec. 74 (a); Reg. § 1.74-1(b)) unless all of the following conditions are met:

- a) The recipient was selected without any action on his or her part to enter the contest.
- b) The recipient is not required to render substantial future services as a condition to receive the prize or award.

- c) The prize or award is transferred by the payer to a government unit or tax-exempt charitable organization as designated by the recipient.

All three of the above conditions must be met in order to exempt the prize from taxation.

Schools and Centers should inform the recipients of the income tax consequences of their winnings.

Travel

- Reimbursement of travel costs while conducting business on behalf of Penn - These payments are not taxable to the student and are not reportable by the University.
- Travel costs in furtherance of student's education or related to a course - These payments may be taxable to the student and are reported on Form 1098-T for US citizens and resident aliens. Payments made to NRAs for non-qualified education expenses are reported on Form 1042-S.
- Travel awards - These payments may be taxable to the student, and payments aggregating \$600 or more are reported on Form 1099-MISC for US citizens and resident aliens and on Form 1042-S for NRAs. Payments made to NRAs are subject to 30% federal tax withholding, unless the payment is covered by a tax treaty. Schools and Centers should inform individuals of the tax consequences of the award at the time of award. Examples of travel awards include Fontaines and GAPSA travel awards, as well as travel related to a conference to present the student's research, not affiliated with research done in conjunction with a Penn professor.