

Student Payment Guidelines

Funds distributed from the University to students must be properly accounted for so that the University remains in compliance with Federal financial aid and Federal taxation requirements. All payments to students must be initiated through the [Office of Student Financial Aid](#) or [Payroll and Disbursements](#).

Funds given to students in exchange for work or other activities to the benefit of the university are generally handled through Payroll and Disbursements. Funds offered to WMU students which are related to their enrollment status and expressly for the purpose of covering educational expenses related to the student cost of attendance (tuition and fees, room, board, books, academic supplies and miscellaneous personal expenses) are to be either offered through financial aid or accounted for as a source of estimated financial assistance and factored into the student's financial aid eligibility (HEA section 480(j)).

Payments made to students often fall into one of the following categories: scholarships, prizes/awards, compensation or reimbursements. As a department, understanding how to classify a student payment and knowing which office should process a particular type of payment can be confusing. This document outlines some of the most common examples of student payments and how such payments should be processed.

1. **Scholarships** are funds applied directly to the student's account to support educational expenses, such as, tuition, fees, room, board, supplies, and travel. Recipients may be undergraduate or graduate, and must be degree-seeking students with enrollment in the term for which the award is being made. For taxation purposes, two types of scholarships exist: Qualified and Non-qualified.
 - a. **Qualified scholarships** are offered for the payment of tuition and fees, or course-required expenses (required fees, books, supplies/equipment). All qualified scholarships will be reported by the University to the Internal Revenue Service (IRS) and to the student on IRS Form 1098-T, Tuition Statement (26 U.S. Code § 117.)
 - b. **Non-qualified scholarships** are offered expressly for the educational expenses of room, board, travel, the cost of optional fees and personal expenses. Any scholarship that is designated specifically for these expenses 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 that exceed the cost of tuition, required fees and textbooks (P.L. 99-514).
 - c. **Stipends** are often an example of a non-qualified scholarship as they are typically offered for books or living expenses (room and/or board). The payment of stipends must be processed through the Office of Financial Aid so that payment can be applied directly to the student's account. These stipends should never be related to work performed for the university. Please keep in mind that stipends are scholarships and are processed and paid in the same manner. Bi-weekly or monthly stipend payments, made throughout the semester, are not permissible.
 - d. **Scholarship processing** is handled through the Office of Student Financial Aid through the submission of a Departmental Scholarship Disbursement Authorization form, either for a [non-grant funded award](#) or a [grant-funded award](#). All scholarships are considered when determining a student's financial aid eligibility and the offering of any type of scholarship may require an

adjustment to current or future financial aid payments. All scholarships pay to a student's account either at the date of general financial aid disbursement (approximately 10 days prior to the first day of class, if offered prior to the beginning of the semester) or 3-5 business days after offering (if applied after the beginning of the semester). When the student's account has a past due balance, the University reserves the right to apply the payment to the student's bill and not refund the amount directly to the student.

2. **Prizes and awards** are student payments or winnings resulted to enrollment at a postsecondary institution. According to the Department of Education, if the intended recipient of any prize or award is a student, federal regulations mandate that any financial assistance shall be included in their financial aid package (HEA section 480(j)). If a recipient was not required to be a student and the contest was open to multiple audiences, the prize or award does not need to be reported to the Office of Student Financial Aid. Prizes and awards are includible in gross income and are taxable (I.R.C. § 74 (a)).
 - a. Common items given to students that should be reported to the Office of Student Financial Aid include: gift cards, gas cards, school supplies, food/meals, participation incentives (if participation in the event is predicated upon holding WMU student status and could be used for educational expenses) and personal miscellaneous items (if such items are educationally related (i.e. a computer) or likely to be exchanged for cash).
 - b. Items given to students that can be excluded from consideration include: plaques, medals, trophies, coffee-table books (versus textbooks or course-required readings), items of nominal value that are not educationally related.
 - c. Awards not considered a scholarship are subject to 1099-MISC reporting and subject to 30% US tax withholding for international students or Nonresident Aliens. Please refer to IRS Publication [Form 1099-MISC](#) for more information. When a department purchases prizes or awards to give to students, the purchase can be made with the [Procurement Card](#) or [Generic Voucher](#). Prior to the purchase, the department must complete the [Gift card and cash payment authorization](#) form and obtain proper signature approvals. Each gift card or gift certificate must be tracked using the [Tracking log](#).
 - d. The [Prize Award Form](#) is used to notify the Office of Student Financial Aid any student receiving a prize or award, if it is an educationally related expense. The amount of the prize or award will be added as a financial resource and factored into the student's aid eligibility. When completing the form, the designation of student or employee is indicated on the form with instructions to route to Student Financial or Payroll and Disbursements.
3. **Compensation** processing is administered by Payroll and Disbursements. Compensation is paid as wages to students hired as employees who perform services primarily for the benefit of the University. Payment for services is treated as taxable income and subject to tax withholding and is reported on IRS Form W-2 pursuant to [26](#) U.S. Code §§ 3101 to 3512. Additional information related to direct compensation is accessible on the Human Resources website at <https://wmich.edu/hr/manual-hours>.
4. **goodOther Reimbursements** to students are of a complex nature and will vary depending on the circumstances of the expenses the student incurred.

5. University Business Expense Reimbursement:

- a. Expenses directly related to the University, where WMU is the primary beneficiary, are reimbursed through Payroll and Disbursements and are not reportable as taxable income to the IRS. Examples of such expenses include deductible travel expenses for conferences and other business travel events or membership fees costs where student serves as a representative of WMU. More information related to deductible travel expenses is noted in IRS Publication 463 located at <https://www.irs.gov/pub/irs-pdf/p463.pdf>.
- b. If the reimbursement requested is for optional expenses, not required for a course or for graduation, such as professional development, travel or other enrichment activities, payments will be made through Payroll and Disbursements and will be subject to 1099 reporting and 30% US tax withholding for international students or Nonresident Aliens.

Academic Expense Reimbursement:

- a. The Office of Student Financial Aid must review expenses, for which the student is the primary beneficiary. If the reimbursement requested is related to an activity required for a student's program, course or degree requirements it will be offered through the Office of Student Financial Aid.
- b. The funds to be reimbursed will be factored into the student's financial aid eligibility. The "reimbursement" will need to be offered, processed, and paid to the student's account as a scholarship (see "Scholarship processing" above).

6. Reimbursement processing

- a. Reimbursements may be handled by Payroll and Disbursement or the Office of Student Financial aid. If, after reviewing this document, you remain unsure if a particular student payment is allowable, please reach out to the Office of Student Financial Aid to review your particular situation.
- b. Some expenses incurred by students are deemed the students' responsibility and are not reimbursable through Payroll and Disbursements and are not considered eligible for submission to Financial Aid. The process is more expeditious and in the best interest of the student if a reimbursement is properly vetted prior to committing to payment.

Additional Questions?

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