1. **INTRODUCTION**

**Why Does it Matter How We Pay a Student?**

Payments to students must comply with Internal Revenue Service regulations, federal financial

aid regulations, and CSU policies. **While CSUSB strives to comply with the intent of donors**

**when administering funds to students on their behalf, donor intent, no matter how**

**specific or strongly worded, may not supersede the university’s obligation to meet federal**

**and state financial aid rules, IRS regulations, Fair Labor Standards Act, or other CSU rules**

**or guidelines.**

At CSUSB, there are five categories of payments to students:

1. **Financial Aid** – Payments that assist the student in their pursuit of education (tuition, fees,

books, equipment required for a course, or room and board). These payments are paid via

the Financial Aid Office and the student information system (PeopleSoft) with IRS

reporting via 1098T.

2. **Wages** – Payments representing compensation for services rendered where CSUSB is the

primary beneficiary. These payments are paid via Payroll with IRS reporting via Form W‐2.Students need to start the student employment office and have an appointment created.

3. **Travel Reimbursement** – Payments reimbursing students for travel whenever, via the

travel, a student is formally representing CSUSB (CSUSB is the primary beneficiary of the

student travel). No IRS reporting.

4. **Prize/Award** – Payments for winning a contest or an award where the funds for both do

not have to be used towards educational expenses (tuition, fees, books, equipment

required for a course, or room and board). Another example would be gift cards. These payments are reported to the Financial Aid office are paid via Accounts Payable with IRS reporting via Form 1099‐MISC.

5. **Student Reimbursement** – Payments made to students for out-of-pocket school expenses. These are paid through Student Financial Services, reported to the Financial Aid office and reportable on the 1098T.

This procedures document will assist users in determining the nature of their payment and how to

make the payment correctly to ensure compliance with all applicable regulations and policies.

2. **SCOPE**

These procedures are applicable for any payment made to any student at CSUSB.

3. **PURPOSE OF GUIDELINES & PROCEDURES**

**Best Interest of the Student**

By complying with all relevant rules, regulations, and policies, CSUSB will ensure payments

will be made in the most appropriate manner and avoid any unintended negative financial

impacts on CSUSB students (ex: student unnecessarily receives an IRS Form 1099).

**Compliance**

Ensure that all procedures that support the administering of payments to students comply

with federal financial aid rules, IRS regulations, and CSU/CSUSB policies (such as

employment).

**Accountability**

Ensure that all appropriate parties at CSUSB involved in administering payments to students:

are aware of and understand the Payments to Students (and related) policies.

Fully understand their responsibilities and can fulfill their duties in compliance with federal

financial aid rules, IRS regulations, and CSU/CSUSB policies.

4. **RESPONSIBILITIES**

**Departments, Organizations, or Individuals Making Payments to Students**

While all parties involved in administering payments to students share responsibility, the

process ultimately begins with the department (payer) allowing sufficient time and

consultation to ensure the proper determination as to the classification of payment (see

Procedures below). The payer should allow sufficient time to consult the Payments to Students Guidelines and Procedures and inquire about the processing time required for the determined path forward. The payer should refrain from communicating with student recipients until a determination is

made and the course of action is solidified. A failure to set the correct expectations for the

timing of the payment may cause financial burden and stress for students.

Each awarding department is responsible for monitoring expenditures from their accounts,

including funds awarded, disbursed, adjusted, or canceled.

If funds were donated, awarded as part of a grant, or have any spending restrictions, the

department selecting recipients is responsible for ensuring awards comply with donor intent

(but not to supersede policy). Recipients of payments that fall under the Financial Aid and Student Reimbursement category should be made aware that their award may impact their financial aid package and must be taken into consideration when the financial aid department determines eligibility for funds from other sources, including federal loans. The Financial Aid Office has the responsibility of determining whether adjustments are necessary.

**Financial Aid**

The Financial Aid Office will provide oversight and advisement to ensure the overall process

complies with federal financial aid guidelines. Federal regulations under the Higher Education Act of 1965 require institutions to monitor and limit total financial resources awarded to students receiving federal financial aid, which includes grants, need‐based employment (i.e., federal work‐study), and loans. Federal aid recipients cannot receive aid in excess of their cost of attendance (COA). The COA,

therefore, represents a cap on total funding. An “over‐award” occurs when the student receives

more aid than they are eligible to receive. While this rarely occurs, the Financial Aid Office is

required to resolve all over‐awards and adjust a student’s aid package when necessary.

The Financial Aid Office will serve as the intake for the payments classified as financial aid and student reimbursement, and route/process appropriately. The Financial Aid Office will also ensure that student payments processed via their office are enrolled in a financial aid‐eligible program and re‐route payment appropriately if not. The Financial Aid Office, for payments that fall under the “Financial Aid” category, will disburse payment via the student information system (PeopleSoft).

Financial Aid payments cannot be awarded based on race, sex, color, ethnicity, or national origin.

Financial Aid payments cannot be issued using 485xxx operating funds without approval from

the university President before the advertisement and selection of recipients.

In most cases, departmental awards will not impact a student’s aid package when processed

through the student information system. If other aid must be adjusted to accommodate new

funds, loans will typically be reduced first. Lowering a student’s educational loan debt should

be considered a positive outcome.

**Student Financial Services**

Student Financial Services, in conjunction with the Financial Aid Office, will provide

oversight and advisement to ensure the overall process complies with IRS regulations,

ICSUAM, and CSU policies/memos. In the event a payment is made to a non‐resident alien student, Fiscal Services will determine the taxable portion of the financial aid payment and submit a tax Form 1042‐S and ensure the taxable amount is posted to the student’s account as a charge.

Student Financial Services, for payments under the “Financial Aid” category, will ensure payment is configured to appear in Box 5 on tax Form 1098‐T.

For payments deemed “Travel Reimbursement” or “Prize/Award,” Accounts Payable will issue

payment via Direct Pay or Concur and for any Prize or Award, ensure tax Form 1099‐MISC is issued where applicable (if total payments in the “Prize/Award” category for a calendar year, meet or exceed $600). Student Financial Services will collaborate with all parties involved in the payments to

students process to ensure policies or procedures are updated as necessary.

**Human Resources**

Human Resources will provide advisement to ensure the overall process complies with CSU

Student Employment Guidelines.

**Payroll Services**

Payroll Services will provide advisement to ensure the overall process complies with CSU

Student Employment Guidelines and employment tax guidelines.

For payments deemed “Compensation for Services Rendered,” Payroll Services will issue

payment to the student via pay warrant.

5. **PROCEDURES**

**Payments to Students Decision Tree**

A diagram of a company

Description automatically generatedWhen determining the proper way to pay a student, the following decision tree should be used:

**Payment Attributes for Each Payment Category:**

**Common Attributes of Financial Aid Payments**

* Primary purpose to assist with costs involved with a student’s pursuit of their degree
* Funds are “no‐strings,” with no requirement of any substantial services from the student
* For training or research where the student is the primary beneficiary
* Any funds for room and board
* Not associated with past, present, or future services (no employer/employee relationship)
* Travel where the student is not formally representing CSUSB
* IRS reporting: 1098‐T

**Common Attributes of Wage Payments (Not All Criteria Needs to be Met to be Considered**

**Wages)**

* Individual has direction or supervision and a defined workweek and/or schedule
* Receipt of funds contingent upon performance of services
* For research where CSUSB is the primary beneficiary
* If another student/individual would be necessary to complete duties/services, if the first

student/individual was unable to complete or perform the duties/services

* Department/Student needs to start the process with Student Employment Office to create an appointment/position
* IRS reporting: W‐2

**Common Attributes of Travel Reimbursements**

* As part of travel, student formally represented CSUSB (CSUSB primary beneficiary)
* IRS reporting: None

**Common Attributes of Prize or Award Payments**

* Contest or drawing (can be for academic achievement)
* Payment cannot be required to use towards costs of pursuing degree (tuition, fees, books,

equipment required for a course, or room and board)

* No service or research where CSUSB was the primary beneficiary (student paid through wages)
* Coyote Cash (reported to Financial Aid, paid through UEC)
* Gift Cards (reported to Financial Aid)
* IRS reporting: 1099‐MISC (when total in a calendar year meets or exceeds $600)
* Paid through Accounts Payable

**Common Attributes of Student Reimbursements**

* Student paid out of pocket for school-related expenses
* IRS reporting: 1098T and reported to financial aid to be added into the students COA

6. **FINANCIAL AID PAYMENTS**

While various names or titles of payments may have been historically used to describe

payments to students (such as Scholarship, Fellowship, Grant, Stipend, etc**.), institutional**

**funds for students that are meant to assist in a student’s pursuit of their degree (and not**

**representing a reimbursement) are considered financial aid.**

Monies given to students for the following purposes are examples of payments considered

financial aid:

* Tuition and Fees
* Books
* Supplies and equipment required for courses
* Room and board
* Travel expenses when student is traveling for their academic or personal benefit (and not

formally representing CSUSB)

* Research where the student is the primary beneficiary (research not considered wages)
* Optional equipment necessary to complete a course

The value of Financial Aid payments must be processed in the student information system and

considered a resource to meet educational expenses. These payments are disbursed via the

Financial Aid Office and posted to student accounts by Student Financial Services. This

facilitates proper internal and external reporting and ensures compliance with IRS and Federal

Financial Aid guidelines, and the requirement that any educational benefits paid to a student,

regardless of the source, be considered in determination of eligibility for federal financial aid

(including loans). To qualify as a Financial Aid payment, students cannot provide services or research where CSUSB is the primary beneficiary. In that scenario, the research or service would be

considered wages. A requirement that a student furnish periodic reports for the purpose of

keeping CSUSB informed as to the general progress of the student does not constitute the

performance of services.

**Timing and Order of Financial Aid Payments**

While rare, Financial Aid payments processed after the Financial Aid office creates aid packages

may result in a reduction of aid previously offered. **When possible, it is best to make awards**

**prior to the point when the Financial Aid Office determines eligibility of other funds**.

Regardless of when an award is made, students must be enrolled in the term for which it is

intended to cover, even if that term has ended or yet to begin.

**Processing of Financial Aid Payments**

Financial Aid payments are set up with item type numbers and special attributes specific to

each award and must be processed via the student information system (PeopleSoft). After

disbursement to the student’s account, funds will be deducted from the account associated

with the award (General Ledger or GL account).

These awards must also be made via the student information system. Consult with the

Financial Aid department to make special arrangements for these awards to be made and

disbursed. Financial Aid payments can be configured to pay existing balances on student accounts, or

restricted from paying any balance (and therefore, automatically refunded to the student via

direct deposit or paper check). When setting up an item type for a financial aid payment, the

decision to apply towards existing balances, or not, must be noted.

Correct use of item type and account codes is required, and critical, to ensure accurate

scholarship/fellowship processing and reporting.

**Sample Financial Aid Payment Scenarios**

* Student receives $350 to help with rent and food
* Student receives $500 to assist with purchase of a laptop or tablet
* Student receives $1200 scholarship to assist with tuition and fees costs
* Student receives a research grant of $500 (where the student is the primary beneficiary)
* Student receives grant that earmarks monies for research, travel, and per diem (in this

scenario, each would be considered “aid,” as long as the student is the primary beneficiary,

and would be paid in one lump payment)

7. **WAGES**

In general, students should be paid through university payroll when they are performing

services for CSUSB under the direction and control of the University. In accordance with the

[CSUSB Policy on student employment](https://www.csusb.edu/student-employment), students may be employed as hourly employees,

Federal Work‐Study employees, graduate assistants, and student academic appointees.

It is not appropriate to use scholarship funds or gift cards (or cash equivalent) to circumvent

paying students through university payroll when they are performing services for the

university. Further, it is not appropriate to use non‐monetary forms of compensation (such as a

free trip, tangible item, campus housing or meals) in lieu of hiring a student for services

performed for the university. Per [CSU Volunteer Policy](https://www.csusb.edu/policies/volunteer-policy), volunteers cannot receive any form of financial compensation for services. If a department or organization wishes to compensate a student for services rendered with a monetary payment, they must formally hire the student and process the payment via

university payroll as wages.

**Services Required as a Condition for a Financial Aid Payment**

When an award is intended to support a student’s pursuit of their studies **and** performance of a

service is a condition of the award, an analysis should be performed to determine if the

payment qualifies as a financial aid payment or compensation. It is not appropriate to pay a student with a financial aid payment if the recipient is required to perform a service that benefits CSUSB. If the student is working as a tour guide, peer mentor, note taker or in some other capacity for a specified number of hours with campus supervision, scheduling, or oversight, **this is considered “work,” and compensation should be made in the form of wages, and taxed as such.**

In determining how to pay for services performed, consider the following:

* CSUSB must comply with IRS withholding, tax, and wage and income reporting

requirements

* Improper payment method can have adverse effects to the university (penalties and fines),

as well as for students when they file a personal tax return or when applying for future

financial aid.

**Processing Wage Payments**

Departments, organizations, or individuals should follow the CSUSB policy on student

employment.

**Sample Wage Payment Scenarios**

* Student receives a cash payment to take class notes
* Student receives a cash payment to provide services at pep rally
* Student performs research or service where CSUSB is the primary beneficiary (if the

research was not completed by the student, CSUSB would have to find/hire someone else

to complete it)

8. **TRAVEL REIMBURSEMENTS**

Payments to students to cover travel will either be considered financial aid, a travel

Reimbursement, or a student reimbursement. The primary factor in determining whether the payment is financial aid or reimbursement is the purpose of the travel.

**Only travel where the student is formally representing CSUSB while presenting, serving,**

**or participating can be considered a travel reimbursement.**

Institutional funds paid to a student when a student is traveling for **their own** academic or

personal benefit (and not formally representing CSUSB) would be considered a financial aid

payment or student reimbursement and paid through the Financial Aid Office or Student Financial Services. Financial aid recipients cannot receive aid in excess of their cost of attendance (COA).

**Processing Travel Reimbursements**

**For reference**: [CSU Business and Travel Expense Reimbursements Policy](https://www.csusb.edu/travel/forms-policies)

Travel reimbursements are to be processed via Concur through the Accounts Payable

Department.

**Sample Travel Reimbursement Scenarios**

* Student representing CSUSB at a conference via a poster session
* Student promoting CSUSB at a college fair

9. **PRIZES AND AWARDS**

**Prizes**

A prize is typically cash or cash equivalent that is a result of winning a contest or competition.

A prize can be labeled and processed as such as long as the prize monies are not required to be

spent towards the costs associated with the student’s pursuit of a degree (tuition, fees, books,

equipment required for a course, or room and board). If the prize monies are restricted towards

the student’s educational costs, it must be considered a Financial Aid payment, and processed

via the Financial Aid office. Prizes are generally taxable and reported by CSUSB on Form 1099‐MISC if they meet the reporting threshold ($600 or more in a calendar year). Please see [IRS 1099‐MISC guidelines](https://www.irs.gov/forms-pubs/about-form-1099-misc). The taxability of prizes is governed by [Internal Revenue Code Publication 525](https://www.irs.gov/forms-pubs/about-publication-525).

If the source of the prize is gift funds, the donor of the prize may set the criteria for recipient

selection but may not select the recipient.

**Awards**

An award is typically for recognition of outstanding achievement in teaching, research,

academic performance, or other performance‐related activities. Monies given to students that are for recognition of performance must be part of a documented campus program that includes guidelines, selection criteria, and procedures and published on the CSUSB website.

Students in programs not eligible for financial aid (i.e., non‐matriculated students) fall under

the ‘Award’ category and would be processed via Accounts Payable as they cannot be

processed through the student information system. Students given coyote cash is considered an ‘Award’ and is paid through UEC and has to be reported to the Financial Aid office so that it is considered in a students cost of attendance. Students given gift cards is also considered and ‘Award’ and needs to be reported to the Financial Aid office.

For help in determining if a payment should be classified as a Prize/Award or Financial Aid, see

Appendix C: Contest Winnings: Prize or Financial Aid?

**Processing Prize Payments**

Prize payments are to be processed via Direct Pay through the Accounts Payable Department.

**Sample Prize Payment Scenarios**

* Student wins $50 by taking first place in a talent show
* Student wins $100 by participating in a survey
* Student wins $500 as part of the Student Leadership Award
* Student wins $500 as part of a Dean’s Award

**Awards (Non‐Matriculated Students)**

On occasion, payments to non‐matriculated students will have the same intent and

appearance as a typical Financial Aid payment. As non‐matriculated students are not yet

enrolled in a degree program, CSUSB has no U.S. Department of Education Title IV financial

aid or IRS Form 1098‐T reporting requirements. Therefore, these types of payments will be

considered “Awards” and processed via the Accounts Payable department (and subject to

1099‐MISC where applicable).

**Awards (Non‐CSUSB Students)**

At times, grant monies or scholarships may be facilitated and paid through CSUSB for non‐

CSUSB students. As these students have no qualifying expenses with our university, CSUSB

has no 1098T or 1099‐MISC reporting requirements. For these scenarios, CSUSB will pay the

grant or scholarship monies to the student via Direct Pay through Accounts Payable. All IRS

reporting requirements, for payments to non‐CSUSB students, are with the student.

**Processing Award Payments**

Awards are to be processed via Direct Pay through the Accounts Payable Department.

**Sample Award Payments**

* Non‐CSUSB student receives a grant that is facilitated and paid through the university
* Student in a financial aid‐ineligible program receives a scholarship/grant/fellowship
* Student is given a gift card for various reasons

10. **TAX IMPLICATIONS**

CSUSB employees should never offer personal tax filing advice. Resources for students with

financial assistance include the [IRS publication 970](https://www.irs.gov/forms-pubs/about-publication-970) The taxability of scholarships is governed by Internal Revenue Code (IRC) Section 117. Financial aid payments can be classified as “Qualified” or “Non‐Qualified” educational expenses.

IMPORTANT: The tax classification of a financial aid payment (whether “Qualified” or “Non‐

Qualified”) has no impact on the “Payments to Students Decision Tree.”

If the student is in a degree seeking program/financial aid eligible program, they generally **can**

exclude from income **Qualified Educational Expenses**. This classification of scholarship is

**nontaxable**.

If the student is in a degree seeking program or financial aid eligible program, they generally

**cannot** exclude from income financial aid received to cover non‐qualified expenses. This

classification of scholarship is **taxable**.

**Form 1098‐T**

Each January, CSUSB reports payments made against qualifying educational expenses (such

as tuition and fees) to the IRS, and in doing so, a Form 1098‐T is sent to students that

identifies:

* Payments made by the student or third party (Box 1)
* Scholarships, grants, waivers, and anything not required to be paid back (Box 5)

**All payments that fall under the Financial Aid category, whether taxable or nontaxable, are**

**reported in Box 5 of the 1098‐T.**

Failure to award properly, or account for institutional funds for students in the student

information system, puts CSUSB at risk of violating federal financial aid and IRS regulations,

and could also jeopardize a student’s ability to properly claim tax benefits and account for

funds received under IRS rules.

**International Students**

For international students, any payments in excess of tuition, fees, and course related expenses

are taxable. Additional tax considerations can apply, and depending on status, the

international student may qualify for certain tax treaty benefits, which would entitle the

student to no tax withholding on their student account. [IRS Publication 901](https://www.irs.gov/forms-pubs/about-publication-901) contains tax treaty

details. All amounts paid to nonresident aliens in the form of scholarships, fellowships, grants, and

financial aid, which are not excludible from gross income as a “qualified scholarship,” under

[Internal Revenue Code 117](https://www.irs.gov/government-entities/federal-state-local-governments/qualified-tuition-reduction) must be reported to the IRS, regardless of the amount paid, unless

the grant is from sources outside the United States. Any nonqualified financial aid payments (aid in excess of cost of attendance, or for purposes other than tuition, fees, books, and supplies) are subject to 14% or 30% federal tax withholding, dependent upon visa status. A tax treaty may apply that would make the nonqualified scholarship exempt from taxes. The taxable (nonqualified) portion of a financial aid payment paid to a non‐resident alien in F‐1,J‐ 1, M‐1, Q‐1, or Q‐2 visa status is subject to Federal income tax withholding at the rate of

14%. All taxable financial aid payments made to nonresident aliens are required to be reported to

the payee and to IRS on Form 1042‐S.

11. **DEFINITIONS**

**Awards**

For the purpose of these procedures, Awards are funds that normally would be considered

financial aid payments, but due to the student either being in a Financial Aid‐ineligible

program or not a student at CSUSB, the payment is paid through Accounts Payable or Student Financial Services, and not the Financial Aid Office.

**Cost of Attendance (COA)**

An estimate of educational expenses for the period of enrollment for which the student has

applied for financial aid. Expenses included in the COA are tuition and fees, books and

supplies, transportation, room and board, and personal expenses as required by federal

financial aid regulations. Total financial aid eligibility is capped at the COA for federal aid

recipients.

**Departmental Aid**

Institutional financial aid that is administered and awarded by an individual department

(typically refers to an academic unit).

**Financial Aid Package**

The combination of federal, state, and institutional or external aid awarded to a student for a

particular period of enrollment. Includes grants, scholarships, fellowships, need‐based work

income, and student and parent institutional or private loans.

**Institutional Aid (Financial Aid)**

Funds awarded by CSUSB or through any auxiliary, to a student, regardless of the timing of

the award, where the purpose is to assist the student with their costs associated with earning a

degree. Institutional aid includes scholarships, fellowships, grants, loans, and all other

CSUSB‐funded monetary benefits processed through the Student Information System.

Institutional aid does not include wages for services rendered, prizes that are not restricted to

applying towards costs of education, or travel reimbursements.

**Prizes**

For the purpose of these procedures, prizes are any payment won in a contest or for

recognition of achievement or performance where monies do not have to be used to assist in

the cost of attaining a degree (tuition, fees, equipment required for a course, or room and

board).

**Qualified Educational Expense**

While qualified and non‐qualified expenses both fall under the Financial Aid umbrella, amounts

paid for tuition, fees, and other related expenses that are required for enrollment or

attendance at an educational institution are considered qualified. The difference between the

two is important only for tax filing purposes.

**Qualifying Expenses include:**

* Tuition and fees
* Books and supplies (where required for each course/program)
* Equipment required to complete a course

**Qualifying expenses do not include:**

* Personal expenses (room and board, insurance, medical, travel, etc.)
* Course expenses involving sports, games, or hobbies (unless part of a degree program)

**Scholarship/Fellowship (Financial Aid)**

Section 117 of the Internal Revenue Code broadly defines scholarship as “an amount paid or

allowed to, or for the benefit of, a student, whether an undergraduate or graduate, to aid such

individual in pursuing his studies.” This would include payments that aid in expenses related to

the pursuit of education (such as housing, meals, and living expenses). *Exceptions: monies paid*

*for services that would be considered wages, travel reimbursements, and prizes that are not*

*restricted to paying educational expenses*. *This would also exclude non‐matriculated students.*

**Student**

A student is a person seeking a degree or credential at CSUSB. A student ceases to be a

student upon graduation or official withdrawal from the university. A student who is not

enrolled in summer, but not yet graduated, is still considered a student.

**Student Information System (SIS)**

Database that houses student enrollment, grades, financial aid, and financial transactions.

Also referred to as “PeopleSoft.”

**Wages**

For the purpose of this policy, wages are any monies paid to a student for services rendered

where CSUSB is the primary beneficiary.

**APPENDIX A ‐ PAYMENTS WITH SERVICE/RESEARCH COMPONENT: FINANCIAL AID OR**

**WAGES?**

**Purpose**

The purpose of these guidelines is to guide all parties involved in processing student payments as to

whether a payment is aid or wages. There will be times when monies given to students contain a service

component, and based upon the attributes of the required service, they should be reported as wages

and paid through payroll rather than financial aid and the student information system. These guidelines

define the differences in classifications to assist in the proper disbursement of student payments per

IRS regulations for tax reporting and comply with CSU policy related to student employment.

**Process**

When determining whether a payment to a student constitutes aid or wages, departments should

reference decision trees, as well as review the questions below.

If questions remain after answering questions below, it is recommended to have all appropriate parties

involved in payments to students review the payment to determine proper classification.

Please review the following four questions which will assist in determining if the financial aid payment

with service component should be considered aid or wages.

**1. Is the student the primary beneficiary of the services?**

The services should first and foremost aid the student in their pursuit of studies. There may be

mutual benefit between the student and CSUSB for the services, but the primary purpose of

services performed should be education for the student. The point of the service component

should also be clearly stated and documented by the payer.

* If ‘YES’, payment should be considered aid (Financial Aid payment)
* If ‘NO’, payment should be considered wages (Payroll payment)

**Example**: Student is required to lead campus tours two days a week for potential students and

visiting parents. This is plausible for perhaps Tourism and Hotel Management scholarship, but

most likely not plausible for a Biology student award. The service component should be related

to the student’s pursuit of studies at CSUSB and related to the course of study. Otherwise,

CSUSB is primarily benefiting from the services, not the student.

**OR**

**2. Would the service continue to be necessary if the student was unable to perform or**

**complete the task?**

If CSUSB would have to use an existing employee (or hire a new one) to perform the services

the student could not complete, this scenario primarily benefits CSUSB and should be paid as

employee wages.

* If ‘YES’, payment should be considered wages (Payroll payment)
* If ‘NO’, payment should be considered aid (Financial Aid payment)

**Example**: Student is required to tutor fellow students 10 hours a week in a subject related to

student’s studies and the tutoring schedule (hours/days of week) is set by the department. If

student is not able to complete, an hourly employee would be assigned or hired to tutor

students in the same capacity. In this case, the award should be employee wages.

**OR**

**3. Are all students who receive a specific award required to perform the services?**

If all students who receive the award are required to perform the services as part of the

intended education experience (i.e., a practicum, field experience, or training), then the award

is appropriate to pay through the student information system (as aid).

* If ‘YES’, payment considered aid (Financial Aid payment)
* If ‘NO’, payment considered wages (Payroll payment)

**Example**: “XYZ Scholarship” requires recipients to have 20 hours of “field experience” as a

condition of receiving the award. In that scenario, all “XYZ” recipients’ scholarships would be

paid through the student information system (as aid). IF certain students receiving “XYZ”

scholarship were not required to complete the field experience, those scholarships would be

paid through payroll as wages.

**OR**

**4. Is the payment being made on a quid pro quo (contingent) basis?**

If payment is contingent upon future or current services to be performed (and not related to

degree or class grade), the services are considered wages. Scholarships, by their nature, are

typically not considered conditional (other than in the academic sense).

* If ‘YES’, payment considered wages (Payroll payment)
* If ‘NO’, payment considered aid (Financial Aid payment)

**Example**: Student is required to assist professor in research activity that is not part of

requirements for their degree or class grade and will only receive award as the research is

completed throughout the semester. Since payment is conditional upon completion of services,

this is considered compensation as wages paid to employee. NOTE: Alternatively, there could

be an example where the student must meet certain **academic** conditions (such as a certain

GPA) and that would not be considered **services** to be performed.

If, in the course of reviewing these questions, there is a determination of a legitimate service

component of the award by any department involved in the processing of a payment to a

student, clear documentation should be included with the award to explain why this service

piece is adding the **student’s** pursuit of study.

**APPENDIX B ‐ TRAVEL: FINANCIAL AID OR REIMBURSEMENT**

**Purpose**

The purpose of these guidelines is to provide guidance to all parties involved in processing payments to

students as to whether a payment should be considered as financial aid or reimbursement for travel.

The classification of a payment to a student between financial aid (Scholarship/Fellowship, etc.) or

travel reimbursement is important. While every effort will be made to do what’s in the best interest of

the student, CSUSB must comply with federal financial aid regulations and IRS rules.

**1. How to Determine if Travel Benefitted Student for Education or Enrichment**

CSUSB defines a payment to student for travel as a travel reimbursement if:

* As part of the travel, the student is formally representing CSUSB by presenting, serving, or

participating.

CSUSB defines a payment to student for travel as a financial aid if:

* As part of the travel, the student is an attendee, and not formally representing CSUSB.

Payments for travel that are paid as a financial aid will be paid through the student information

system (PeopleSoft), appear in Box 5 on the student’s 1098‐T tax form, and would be

considered taxable (responsibility of reporting as income is with the student). The IRS

considers this taxable, as the payments are not towards qualified expenses (tuition, books,

equipment required for a course, or room and board).

Payments for travel that are paid as a reimbursement are nontaxable.

**2. Examples of reimbursable travel (Accounts Payable Payment):**

* Student represents CSUSB at a college fair
* Student travels to Washington to represent CSUSB in a scholastic competition
* Student travels to Arizona to present at a conference, where the student’s name is

published (poster, website, brochure) representing CSUSB

* Student is both a student and employee of CSUSB, and travel is in the capacity of an

employee

**3. Examples of scholarship travel (Financial Aid payment):**

* Student travels to a conference in Washington as an attendee and does not

present/contribute on behalf of CSUSB.

* As part of travel, student is performing student‐led research or activities where CSUSB

receives little to no benefit

* Student travels to China for Mandarin language training which will assist in language

proficiency needed for degree. This is supplemental work that may help the student

succeed, but it is not a required part of the degree or class, nor does it benefit CSUSB.

**APPENDIX C – CONTEST WINNINGS:  PRIZE OR FINANCIAL AID?**

**Purpose**

The purpose of these guidelines is to provide guidance to all parties involved in processing payments to students as to whether a prize should be labeled as such, and therefore, paid via Accounts Payable, or a scholarship (financial aid), and paid via Financial Aid/Student System.

The IRS considers prizes intended for the purpose of assisting a student with the costs of attaining a degree (tuition, fees, books, equipment required for a course, or room and board) as financial aid. Payments or monies won in a contest are considered financial aid whenever the following condition applies:

• The recipient is required to use the monies for educational costs

Payment from a contest that can only be used for educational costs is considered financial aid. For example, a competition is held and prizes for 1st , 2nd , and 3rd places are awarded to students who must use the competition prize towards their educational expenses. In this instance, the competition’s “prize” would be considered financial aid and should be processed via the Financial Aid Office through the student information system. Payment from a contest where the monies are not required to go towards the student’s cost of pursuing a degree would be considered a “Prize.” Prizes would be included as taxable income to the recipient (on Form 1099‐MISC) if the student were to receive $600 or more in a calendar year. The determination of whether a payment from a contest is classified as financial aid or a prize should be determined prior to the contest.