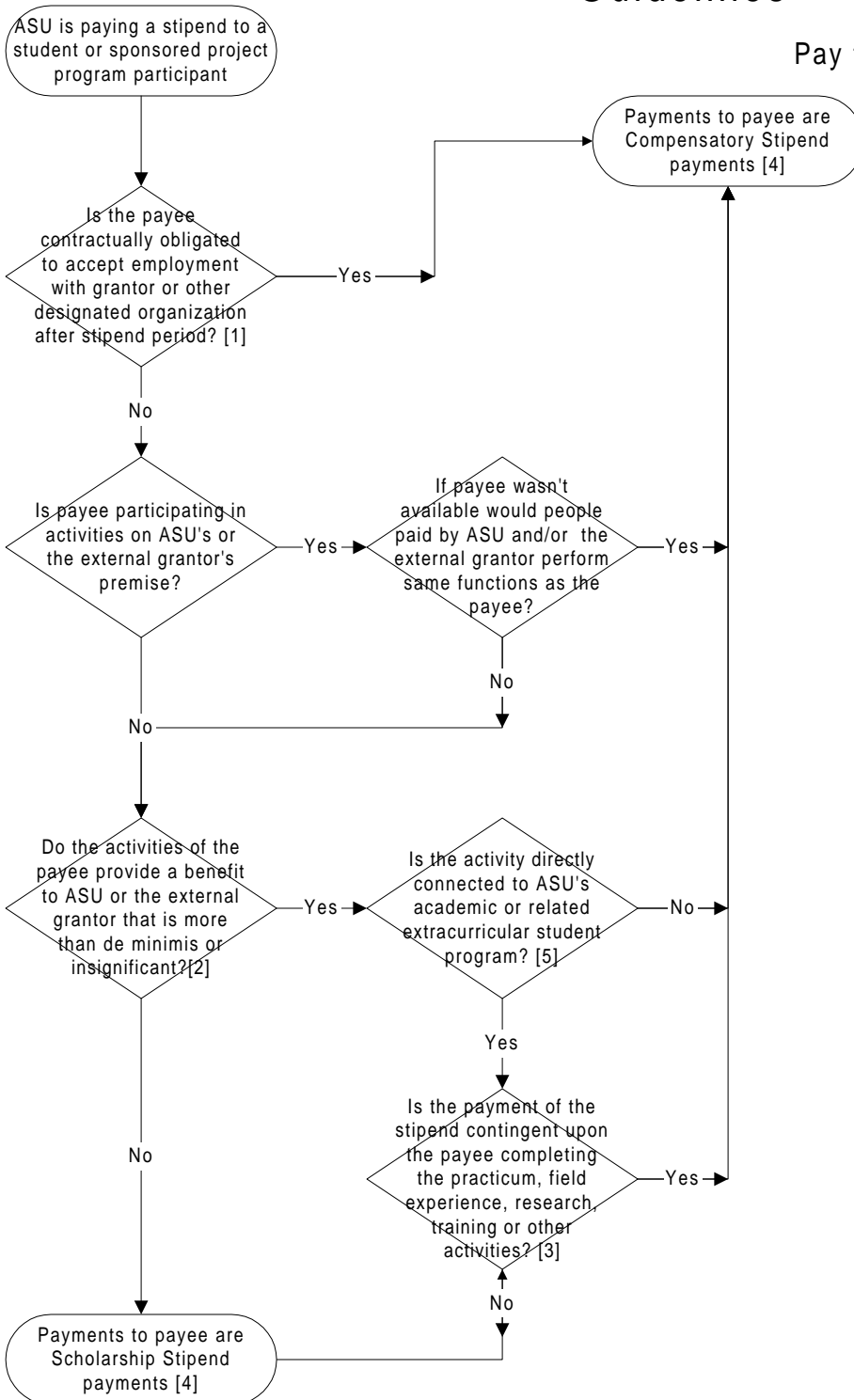


Compensatory Stipend vs. Scholarship Stipend Guidelines



Pay through Student Support System

Pay through Payroll System

Revised 11/6/97

Notice
 For stipends paid as a scholarship stipend, if it should be later determined by a taxing authority that the stipend was compensation, the originating ASU department may be financially responsible for any tax assessments, which could amount to 30% or more of the stipend amount.

Footnotes

Contact the ASU Tax Manager (5-8479) if there is any confusion regarding any of the issues addressed by these guidelines. Specific situations may need to be evaluated in-depth according to the facts and circumstances of each case.

Note: external grantor is defined as an external funding source.

[1] A contractual provision requiring payback of amounts received in lieu of employment is a contractual obligation of employment.

[2] Benefits to the grantor or ASU would include the following:

- Working on a grant that has a deliverable to the grantor, e.g., research report.
- Performing a function that directly enhances the programs or activities of ASU or the grantor; and/or
- Participating in an activity that generates revenue for ASU or the grantor.

[3] A yes answer is where ASU can immediately withdraw or cancel the stipend if the payee discontinues participation in the activity after starting it. Conversely, a no answer would indicate that the stipend will continue through the current semester or academic year even though the payee does not participate in the activity.

[4] All income received by the student or participant is taxable income regardless of classification as scholarship stipend or compensatory stipends. However, amounts classified as scholarship stipends are eligible for potential exclusion from income under IRC Section 117 for amounts paid for tuition, required fee, books and course required school supplies. For compensatory stipends, ASU has tax reporting and tax withholding responsibilities; for scholarship stipends, ASU has no tax reporting or tax withholding responsibilities.

Payment of "interns" should be classified as compensatory and paid through the payroll system.

[5] An academic or related extracurricular student program is one in which scholarships are awarded as a standard practice at colleges and universities around the country, e.g., sports and music programs.