



Financial Services

Compensatory versus scholarship stipend guidelines

The stipend guide helps ASU departments determine whether to process a stipend payment through Workday, the student financial system or payroll system.

All income received by the student or participant may be treated as taxable income regardless of stipend classification. However, amounts classified as scholarship stipends are eligible for potential exclusion from income under [Internal Revenue Code Section 117](#) for amounts paid for tuition, required fees, course books and needed school supplies. Compensatory stipends are not eligible for potential exclusion.

ASU is responsible for tax reporting and withholding for compensatory stipends, not scholarship stipends unless the recipient is a nonresident for U.S. tax purposes.

The stipend guide is not designed to determine the treatment of a specific payment definitively. Please [contact ASU Tax Services](#) for guidance on specific programs.

Click the **yes** or **no** buttons on the questions below after determining the appropriate answer to each question. This will link you to the next decision page.

Is the stipend from an NRSA grant or a program that mirrors the NRSA program?

Amounts paid through National Research Service Award grants to individuals researching at ASU or other locations have been ruled by the IRS to be fellowships — not wages — based on documented congressional intent. This exception by the IRS is only available when the NRSA grant program is administered in a manner consistent with [National Institutes of Health](#) guidelines. The IRS has ruled that stipends paid under grant programs modeled on and mirroring the NRSA program are treated as fellowships, not wages.

Is the recipient contractually obligated to accept employment with ASU or grantor after the stipend period?

Is the recipient participating in activities on the premise of either the external grantor or ASU?

If the recipient wasn't available, would people paid by ASU or the external grantor perform the same function as the recipient?

Do the activities of the recipient further the purposes of ASU or the external grantor in more than an insignificant degree?

Activities that further the mission of ASU or the grantor in more than an insignificant degree would include one or more of the following:

- Participating in an activity that generates revenue for ASU or the grantor.
- Performing a function that directly enhances the programs or activities of ASU or the grantor.
- Requiring the recipient to work for an organization where such employment furthers the purpose of ASU or the grantor.
- Working on a grant with a deliverable to the grantor, such as a research report.

Is the activity directly connected to an ASU academic or similar extracurricular student program?

An academic or similar extracurricular student program is one in which scholarships, such as sports and music programs, are awarded as standard practice at colleges and universities nationwide.

Is the payment of the stipend contingent upon the recipient completing the practicum, field experience, research, training or other activity?

A **yes** means ASU can immediately withdraw or cancel the stipend if the recipient discontinues participation in the activity after starting it. Conversely, a **no** indicates that the stipend will continue through the current semester or academic year even though the payee does not participate in the activity.

Pay through financial aid and scholarship system or Workday

Payments to the recipient are scholarship stipend payments.

Based on your responses, this stipend appears to fall under the parameters of being a scholarship. Payment should be processed via ASU's financial aid and scholarship system or Workday. If the recipient is an ASU student, please [contact the financial aid and scholarship office](#) to determine if the award needs to be reported through the student's financial account before processing through the financial management system.

If the student is determined to be a nonresident for U.S. tax purposes, additional documentation may be required. Up to 30% may be withheld from any payments and remitted to the IRS on their behalf.

Payments to the recipient are compensatory stipend payments.

This stipend appears to be compensatory and should be processed through ASU's payroll system based on your responses. Please work with your HR representative to determine the best job code and process to administer these amounts.

ASU will tax, withhold and report any amounts paid via the payroll system.