ASU is paying a stipend to a student or sponsored project program participant.

Is the stipend from a NRSA grant or a program that mirrors the NRSA program? [1]

Yes: Payments to recipient are Scholarship Stipend payments [4]

No: Pay through Payroll System

Pay through Payroll System

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

Yes: Payments to recipient are Compensatory Stipend payments [4]

No: Pay through Payroll System

Pay through Payroll System

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

Yes: If recipient wasn’t available would people paid by ASU and/or the external grantor perform the same functions as the recipient?

Yes: Pay through Payroll System

No: Pay through Payroll System

Pay through Payroll System

Do the activities of the recipient further the purposes of ASU or the external grantor in more than a de minimus or insignificant degree? [2]

Yes: Is the activity directly connected to ASU’s academic or related extracurricular student programs? [3]

Yes: Is the payment of the stipend contingent upon the recipient completing the practicum, field experience, research, training or other activity? [5]

Yes: Pay through Financial Aid and Scholarship System

No: Pay through Payroll System

No: Pay through Payroll System

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

Footnotes

Contact ASU Tax Services 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] Amounts paid through NRSA grants to individuals doing research 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 consistent with NIH guidelines. In addition, the IRS has ruled that stipends paid under grant programs that are modeled on and mirror the NRSA program are treated as fellowships and not wages.

[2] Activities that further the purpose of ASU or the grantor in more than a de minimus or insignificant degree would include any one or more of 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.
- Participating in an activity that generates revenue for ASU or the grantor.
- Requiring the recipient to work for an organization where such employment furthers a purpose of ASU or the grantor.

[3] 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.

[4] All income received by the student or participant is taxable income regardless of classification as scholarship stipends or compensatory stipends. However, amounts classified as scholarship stipends are eligible for potential exclusion from income under IRC 117 for amounts paid for tuition, required fees, 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 unless recipient is a nonresident alien for US tax purposes.

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

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.