

COMPENSATORY STIPEND VS. NONCOMPENSATORY/SCHOLARSHIP STIPEND FOOTNOTES

- [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 TTU/HSC 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 TTU/HSC or the grantor; and/or
 - Participating in an activity that generates revenue for TTU/HSC 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] A yes answer is where TTU/HSC can immediately withdraw or cancel the payment if the recipient discontinues participation in the activity after starting it. Conversely, a no answer would indicate that the payment will continue through the current semester or academic year even though the recipient does not participate in the activity.
- [5] All income received by a student or participant is taxable income regardless of classification as compensatory stipend or noncompensatory/scholarship stipend. However, amounts classified as noncompensatory scholarships are eligible for potential exclusion from income under IRC §117 for amounts paid for tuition, required fees, books, supplies and equipment required for courses. For compensatory stipends, TTU/HSC has tax reporting and tax withholding responsibilities. For noncompensatory/scholarship stipends, TTU/HSC has tax reporting and tax withholding responsibilities only if the recipient is a nonresident alien for tax purposes.

Payment of “interns” should be classified as compensatory and processed through HR/Payroll Office.

These are provided as guidelines and each “stipend” payment depends upon the facts and circumstances of the situation. Please contact the Office of Tax Compliance & Reporting (742-3255) with any questions.