10. Student Financial Aid and Prizes

Types of Student Financial Aid
Donors may contribute gifts for various types of student financial aid. These are:

1) Undergraduate Scholarship: to a matriculated undergraduate student who may have financial need or may exhibit academic merit, or any combination of need and merit. The minimum for an endowment is $25,000-$30,000 depending on criteria, and the minimum to establish a Temporary Named Fund is $5,000. An undergraduate scholarship provides support up to a student’s cost of attendance.

2) Graduate Scholarship: to a matriculated graduate student who may have financial need or may exhibit academic merit, or any combination of need and merit. The minimum for an endowment is $25,000 and the minimum to establish a Temporary Named Fund is $5,000. A graduate scholarship provides support up to a student’s cost of attendance.

3) Research Fund: to a matriculated undergraduate or graduate student to use in pursuing their own academic research or who will assist a member of the faculty with academic research. Minimum threshold for an endowment fund is $25,000 and minimum threshold for a Temporary Named Fund is $5,000.

4) Fellowship: to a matriculated graduate student who may have financial need or may exhibit academic merit, or any combination of need and merit. The minimum for an endowment is $250,000 and the minimum to establish a Temporary Named Fund is $10,000. These minimums may be increased at the request of the academic unit, depending on what degree or subject area the student is pursuing their degree. A fellowship provides support toward a student’s cost of attendance.

The Office of Financial Aid
The Office of Financial Aid should always be the Fund Manager for a scholarship, fellowship, or other form of financial aid. This ensures coordination of all financial assistance to a student, assists the University in meeting its legal obligations, and prevents over-awarding aid to students.

In the limited instances where the Office of Financial Aid is not the Fund Manager for an award of student financial aid, the Office of Financial Aid will be advised by the Foundation or College/School/Department of the recipient(s). The Office of Financial Aid will include the aid awarded into the student’s record, which may impact other financial aid determinations.

The Office of Financial Aid must be consulted by academic units or other interested divisions of the University in selecting recipients designated for financial aid. Recipients should be selected by June each year to receive financial aid for the following academic year.

Financial Aid Disbursements
To award a scholarship, fellowship, or other form of financial aid to a student, the Fund Manager must submit a disbursement request form or spreadsheet to the Foundation. The Foundation will disburse all financial aid funds to the Office of Student Accounts to be deposited to the student’s account. Generally, no funds will be disbursed directly to a student.
**Prize or Award Funds**

Donors may establish funds to give a student a prize for a competitive activity related to their academic career or studies. The Fund Manager for a Prize or Award fund will generally be the Dean of the academic unit most involved with the area of the competitive activity being rewarded. Recipients of prizes should generally be selected by March of each year so they can receive their award by the time of Commencement at the end of the year.

Prizes and awards are amounts received primarily in recognition of charitable, scientific, educational, artistic, literary, civic achievement, or as the result of entering a contest. All prizes and awards (with the exception of qualified scholarships) are includible in gross income (IRS code Sec.74(a); Re. § 1.74-1(b)) unless all of the following conditions are met:

a. The recipient was selected without any action on his or her part to enter the contest.

b. The recipient is not required to render substantial future services as a condition to receive the prize or award.

c. The prize or award is transferred by the payer to a government unit or tax-exempt charitable organization as designated by the recipient.

All three of the above conditions must be met in order to exempt the prize from taxation.

**IRS Reporting Requirements**

Awards or prizes to employees and students are taxable if they are in recognition of achievements. Selection criteria and documentation are required in order to process the payment. Payments for services rendered are taxable and reportable on Form 1099 if the total paid in a calendar year exceeds the regulatory amount.

For US and resident aliens, all prizes and awards in the amount of $600 or greater must be reported by the Foundation to the IRS on Form 1099-MISC. It is the responsibility of all prize and award recipients, regardless of the amount of the prize, to report the taxable amount received to the IRS on their personal income tax returns.

For non-resident aliens, the Foundation is required to withhold 30% tax on the amount. The amount will be reported to the IRS and to the student on form 1042-S. The withholding rate may be reduced or eliminated if applicable treaties are in place.

Fellowships and scholarships generally are not taxable under Section 117A of the Internal Revenue Code unless services are required to be performed as a condition to the grant. Then they are taxable to the extent of the fair market value of such services and are reportable on a form W-2, and subject to withholding taxes. FICA will be applied, depending on the nature of the employment.

The scholarship must be used for tuition and related expenses. Any part of the scholarship used for room and board is taxable. The burden of proof is on the recipient. Student scholarships are non-taxable if no services are required or there is no action on the part of the student as a condition to the award.