

Scholarship/Fellowship Payment Guidelines

1. The Office of Student Financial Aid is responsible for coordinating all student financial assistance programs in accordance with the Title IV Participation Agreement between the U.S. Department of Education and UAB. To comply with the participation agreement, the aid office must be aware of all financial resources available to a student, and those resources must be taken into consideration when determining eligibility for student financial assistance. Student financial assistance includes grants, scholarships/fellowships, student employment, student loans, and parent loans. Financial aid recipients cannot receive more than their financial need or cost of attendance as determined by the Office of Student Financial Aid using standards and guidelines established by the U.S. Department of Education.
2. An individual is potentially eligible to receive a scholarship/fellowship payment after he or she has matriculated in an academic program, research training program or other training program. In order for a payment to be classified as a scholarship/fellowship, the payment must not be made in exchange for the past, present, or future performance of service by the recipient. If service is required, payment must be made in the form of compensation (salary, wages, etc.) and these scholarship guidelines would not apply.
3. A training program is a program that may be funded by an external entity through a grant or contract that requires UAB to conduct training for the individual's professional advancement and may or may not require academic coursework. A training program also may be funded from non-grant accounts as a required component of an academic program for the professional advancement of students.
4. A Scholarship/fellowship payment is tax-free if it is awarded to a candidate for a degree and is a qualified scholarship/fellowship.
5. A candidate for a degree means a student (full-time or part-time) who is pursuing a degree at UAB. This means that the person must be officially admitted to a degree program and cannot be in a non-degree status.
6. A qualified scholarship/fellowship is a scholarship payment for tuition and fees necessary for enrollment or attendance; and fees, books, supplies and equipment required for courses of instruction. Qualified scholarship/fellowship payments are not subject to income tax withholding, but are subject to reporting on IRS Form 1098-T or IRS Form 1042-S. Based on UAB's policies and procedures a qualified scholarship will consist of only Board approved tuition and fees that are charged to the student's account. In most cases, books, supplies and equipment are not charged to a student's account, and scholarship/fellowship payments to cover such expenses are paid directly to the student. When payment is made directly to the student, UAB will not know if the payment was used for a qualified expenditure. The student should always maintain the documentation necessary to classify the use of scholarship/fellowship funds as qualified scholarships when filing a tax return.
7. A non-qualified scholarship is a scholarship/fellowship payment used for subsistence such as room, board, travel and personal expenses. All non-qualified scholarship/fellowship payments are potentially subject to income tax withholding and subject to reporting on IRS Form 1098-T and IRS

Form 1042-S. Based on UAB's policies and procedures, scholarship payments used for books, supplies, equipment and fees not approved by the Board must be paid as non-qualified scholarship. The student should always maintain the documentation necessary to classify the use of the scholarship/fellowship funds as qualified scholarships when filing a tax return.

8. Generally, all scholarship/fellowship payments that require enrollment in academic coursework should be processed through the Office of Student Financial Aid using the Oracle Payment Request process. This includes qualified and non-qualified scholarships payable to U.S. citizens, permanent residents, and resident aliens; and qualified scholarships payable to nonresident aliens. However, even when enrollment in academic coursework is required, non-qualified scholarship payments to nonresident aliens must be paid using the Oracle HR ACT process because income tax withholding, reporting and applicable treaty benefits may apply. **Historically, some departments have appointed individuals using the Oracle HR ACT process to schedule monthly payments when academic coursework is required. A continuation of this practice will be allowed until further notice. To access if this practice, a computer report comparing the HR data to the student data should be developed to assess the potential financial risk to the students and to the institution.**

9. When authorizing a scholarship payment in the Oracle Payment Request process, the user will encounter the following pop-up question:

- a) Is the individual a nonresident alien receiving a non-qualified scholarship (i.e. for costs other than Board approved tuition and fees), or
- b) Is the individual a nonresident alien non-degree candidate (i.e. has not been officially admitted to a degree program)?

If the answer is "yes" to a) or b), you will not be allowed to authorize payment in the Oracle Payment Request process because the payment is subject to tax withholding and reporting; therefore, it must be paid using the Oracle HR ACT process.

Note that the two-part question only related to nonresident aliens. This is because U.S. citizens, permanent residents, and resident aliens are not subject to income tax withholding and may be paid using the Oracle Payment Request process regardless if we are paying a qualified scholarship or non-qualified scholarship.

10. Scholarship/fellowship payments that do not require enrollment in academic coursework but require participation in a research training program or other training program, should be issued by appointing the trainee to Oracle HR using the ACT process.
 - a) Scholarship/Fellowship payments made through Oracle HR ACT process may affect an individual's eligibility for other student financial assistance. The Office of Student Financial Aid should monitor such payments by establishing a report of the individuals receiving such payments who are also enrolled in academic coursework at UAB.
 - b) Scholarship/Fellowship payments made to U.S. citizens, permanent residents and resident aliens through the Oracle HR system are potentially subject to reporting, and payments to nonresident aliens are subject to income tax withholding and reporting unless treaty

benefits apply.

11. Scholarship/Fellowship payments must be made payable to the individual unless the payment is being made through the Office of Student Financial Aid and posted to a UAB student account managed by Student Accounting Services. The individual's tax identification number must be provided in order to comply with income tax withholding and reporting requirements. International Scholars and Student Services (ISSS) may assist a nonresident alien in applying for a tax identification number (i.e. SSN or ITIN).
 - a) For a U.S. Citizen, Permanent Resident, and Resident Alien scholarship/fellowship payments have a direct relationship to an individual's ability to qualify for education tax credits (Hope Tax Credit and Lifetime Learning Tax Credit).
 - b) UAB provides each student with IRS Form 1098-T, which is reported to the IRS and shows other information. If the individual is a nonresident alien, scholarship/fellowship payments will be reported on IRS Form 1042-S.
 - c) Upon request, Student Accounting Services provides each student with an "information return" that indicates the amount of scholarship/fellowship assistance they received and the amount of qualified tuition and fee charges they incurred at UAB. The information return can be used in addition to IRS Form 1098-T or IRS Form 1042-S to assist the individual when applying for education tax credits when applicable.
12. As with any payment authorized through the Oracle Payment Request process, you must complete a Scholarship Authorization Oracle Payment Supplement Form at <http://main.uab.edu/show.asp?durki=65035> to provide the additional information needed to approved the scholarship payment. The supplement form must be faxed into the imaging system in accordance with the instruction at this site.
13. UAB should not pay to, or on behalf of, a **prospective student or prospective trainee** the fees necessary to be admitted into a course of study or training program. Such application or admission fees are considered to be personal expenses and fall outside of the context of scholarship/fellowship assistance.
 - a) Funds to cover any personal expenses should be paid in the form of a scholarship/fellowship payment after the individual has entered into an eligible relationship with UAB and to cover expenses incurred during that relationship. Such payments may be subject to aggregate limitations imposed by the U.S. Department of Education as administered by the Office of Student Financial Aid.
 - b) A prospective student or prospective trainee has not yet entered into an eligible relationship because matriculation has not occurred in an academic, research-training program, or other training program.
14. Individuals who are recruited to participate in programs that do not require enrollment in academic coursework and are not participating in a research training program or other training program may be paid for their participation as "**program/conference participants**" (**Subcode 8604010-Subject Services**). In this case, the payment is not considered a scholarship. Payments issued to "program/conference participants" are considered income and are subject to IRS Form 1099

reporting.

15. **Journal entries** should not be used to process scholarship/fellowship payments. Journal entries simply transfer funds from one account to another. In doing so, the transaction is not recorded in the manner required to properly associate the payment to an individual for income tax withholding and reporting.
16. For questions or concerns regarding the payment of student financial assistance, please contact the Office of Student Financial Aid at 934-8223. For questions regarding the requisition process, please contact the accountant for the account that will be funding the assistance.