

## UNIVERSITY OF CENTRAL ARKANSAS

### STIPEND-TYPE PAYMENTS POLICY

(EFFECTIVE 04/01/26)

The following policy is intended to address the use of various stipend account codes in Banner and to assist with appropriate treatment of stipend-type payments. Two primary criteria should be examined to determine treatment of payments. The appropriate treatment of payments will be based on two factors:

The first criteria is whether the payment is for work, as defined in the narrative below. If the payment is for work, the recipient should be treated as an employee and taxed accordingly or treated as a contractor and issued a 1099 for tax purposes.

If the payment is \*not\* for work, the second criteria is whether the stipend represents a taxable or nontaxable payment. With limited exceptions, most payments will be taxable. However, certain payments for qualified educational expenses may be nontaxable to the recipient. This policy details various scenarios and appropriate treatment.

The narrative below should be used in conjunction with the published Stipend Flowchart.

#### **Payments for Work**

A person who receives payment for work should be treated as an employee or contractor, depending on the circumstances. If the recipient has required hours, duties, and tasks (Box A), they should almost always be considered an employee, and a PAF should be completed for payment through payroll (Box B) using standard account coding for the employee's classification.

In certain situations, the recipient may only have to complete a project, provide a deliverable or product, etc. to receive payment (Box C). This is often applicable for research grants and similar situations. In this case, the recipient may be treated as a contractor and paid via the standard requisition/PO process for contractors (Box D), -OR- may be treated as an employee and paid via PAF (Box B). However, if the recipient is a current UCA employee, and/or has been or expects to be a UCA employee in the current calendar year (Box K), a PAF *must* be completed for payment through payroll (Box B).

Generally, PAFs should be completed according to the appropriate employee classification. If the PAF represents additional payment outside of the scope of an employee's full-time responsibilities, consult with HR for proper coding.

#### **Payments of/for Educational Expenses**

Educational expenses fall into two categories: qualified and nonqualified. Qualified education expenses are costs required for attendance, and include tuition, *required* fees and program costs, and *required* books, supplies, and equipment. All other costs are nonqualified and include but are not limited to: housing and utilities, meal costs, and non-required fees, books, supplies, and equipment. In short,

payments to students for qualified expenses are nontaxable, while payments for nonqualified expenses are taxable.

Payments to students for nonqualified expenses (Box I) are taxable to the recipient. Payment to the recipient may be made via the standard requisition/PO process using Account 718230 Stipends-Nonqualified Expenses (Box J). However, if the recipient is a current UCA employee, and/or has been or expects to be a UCA employee in the current calendar year (Box K), a PAF *must* be completed for payment through payroll (Box B).

Some University scholarships are referred to as stipends but meet the qualifications of scholarships and should be treated accordingly. These include Honors Stipends and Scholars Stipends (Box P). This is an extremely narrow classification and does not apply to payments to cover tuition and fees outside the University Scholarship process. These payments are nontaxable and should be awarded via the University's scholarship process (Box Q).

Students may also receive payments outside of the University Scholarship process that are intended to defray or eliminate tuition and required fees (Box R). Generally, these payments are for charges that are assessed directly to a student's account. Other than in rare circumstances, these are usually part of a grant program. These payments are nontaxable. Tuition and fee waivers for the appropriate amounts should be completed through the Post-Award and Grant Accounting office, which will be processed through Financial Aid and Student Accounts (Box S). For similar payments that are outside of a grant or contract, please contact the Scholarship Compliance office and the Associate VP for Finance for additional guidance.

If the payment does not meet any of the above criteria but is intended to cover qualified expenses for a student other than tuition and fees (Box T), it is nontaxable. Payment to the recipient may be made via the standard requisition/PO process using Account 718235 Stipend-Qualified Expenses (Box U). Note that these payments will be included by Financial Aid in the student's cost of attendance.

### **Other Payments**

The most common use of stipends is to pay participant or similar costs for research programs (Box E). Costs must not constitute employment or contract work as discussed above. These payments are taxable to the recipient. Payment to the recipient may be made via the standard requisition/PO process using Account 718200 Stipends (Box F). However, if the recipient is a current UCA employee, and/or has been or expects to be a UCA employee in the current calendar year (Box K), a PAF *must* be completed for payment through payroll (Box B).

Occasionally, a payment may be made to an individual as an honorarium, which is given as a token of appreciation for a service or activity, often voluntary, where a formal fee isn't legally required or expected (Box G). These payments are taxable to the recipient. Payment to the recipient may be made via the standard requisition/PO process using Account 718210 Honorariums (Box H). However, if the recipient is a current UCA employee, and/or has been or expects to be a UCA employee in the current calendar year (Box K), a PAF *must* be completed for payment through payroll (Box B).

**\*\*\*If none of the criteria/scenarios above apply (Box Z), please contact the Associate VP for Finance for additional guidance.**

## FAQs and Scenarios

- Scenario 1: Our department has a grant for research and will need ten participants in order to collect data for the research. The participants are not UCA employees or students. Participants will be provided a \$100 payment to defray costs related to transportation and meals on campus.
- Treatment 1: These payments are taxable, meet the definition of a stipend, and are not being made to UCA employees or students. These may be paid via requisition/purchase order through Accounts Payable, using Account 718200. See Box E, Box K, and Box F on the Stipend Flowchart.
- Scenario 2: Our department has a grant for research, and a graduate student will be responsible for facilitating the research and working with a faculty member to create a report. The student will have assigned hours each week in our office.
- Treatment 2: The student will be completing work and will have regular hours, specific assignments, etc., and should be treated as an employee. A PAF should be completed and the student must be paid via payroll. See Box A and Box B on the Stipend Flowchart.
- Scenario 2A: Our department has a grant for research, and a graduate student will be responsible for facilitating the research and will provide a report to a faculty member when the research is completed. The student is responsible for completing the research on their own time and at their own discretion.
- Treatment 2A: The student will be completing work but does not have regular hours, specific assignments and instructions; only a final deliverable is required for the project. The student may be treated as a contractor and paid via requisition/purchase order (consult Procurement for specific account codes.) The student *may* also be paid as an employee, and a PAF should be completed and the student paid via payroll. If the student is already employed by UCA or has been or will be employed by UCA in the current calendar year, the student must be paid via payroll. See Box C, Box K, Box D, and Box B on the Stipend Flowchart.
- Scenario 3: Our academic program requires students to take a final exam in order to graduate. The exam offered through a third party and requires the students to pay fees when they register. We have received a grant to reimburse students for the cost of the exam.
- Treatment 3: The exam in question is *required* to complete the program and graduate and is therefore considered a qualified expense for the student. The payment is nontaxable. It may be

processed via requisition/purchase order using Account 718235 Stipend-Qualified Expenses. See Box T and Box U on the Stipend Flowchart.

Scenario 4: Our department has a grant for research, and students enrolled in departmental courses will complete part of the project as part of their coursework. The grant allows for “stipends” to be paid to those students for their contributions, to help defray any related costs and as an incentive for participation. They will not have assigned hours (outside of the class times) and will not be required to provide any deliverables.

Treatment 4: The students do not have regular hours or specific assignments outside of the coursework, but the payments are not specifically designated to cover required, qualified expenses, a related payment is taxable. It may be processed via requisition/purchase order using Account 718230 Stipend-Nonqualified Expenses. If the student is already employed by UCA or has been or will be employed by UCA in the current calendar year, the student must be paid via payroll. See Box I, Box K, Box J, and Box B on the Stipend Flowchart.

*Note: The scenarios above are not intended to be comprehensive, but to provide basic illustrations as an additional reference. This section may be updated in the future. If there are additional questions or clarifications needed after review of this policy document and the corresponding flowchart, please contact the Associate VP for Finance for additional guidance.*