



Office of Research and Sponsored Programs
University Massachusetts Boston
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Sponsored Student Payments Policy & Procedures

Policy Statement

The purpose of this policy is to ensure that all UMB Student payments (fellowships, stipends, awards, etc.) processed through the Office of Research and Sponsored Programs (ORSP) follow the correct taxation rules and regulations of the Internal Revenue Service (IRS).

Scope

All UMB employees (includes faculty, staff, students and employees) submitting sponsored student payment requests.

Policy

All payments to UMB students for research grants, participant support, scholarships, and fellowships must be forwarded to ORSP prior to payment for review and approval before processing payment.

The Internal Revenue Service (IRS) Publication 970: Tax Benefits for Education covers the rules for the taxation of student scholarships and fellowships. The publication states that the part of any grant, scholarship, or fellowship that represents payment for teaching, research or any other service is taxable to the student. Colleges and universities are obligated to withhold taxes on any award that represents compensation for services. Nonresident alien students may have taxes withheld on awards that do not represent compensation for services. Their tax obligations are governed by their visa status, United States (US) tax laws, and/or the tax treaty between the US and their country of residence. The university is required by federal law to withhold taxes on fellowships that require the student to perform services (past, present or future) to receive the award. Students that are required to perform a direct service to UMB, as part of the fellowship agreement, must be classified as employees and payments are processed through the payroll process. The consequences of not properly withholding the taxes may cause UMB to incur serious financial penalties. The department is responsible for determining if a student's fellowship or research grant requires that a service be performed. ORSP can assist departments that need clarification regarding proper employee classification.



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Related Documents

- UMass Treasurer's Office Guidance on Student Payments & Job Aid
<https://www.umassp.edu/treasurer/tax-and-compliance/payments-to-students>
<https://www.umassp.edu/treasurer/tax-and-compliance/payments-to-students/scholarship-determination-job-aids>
- UMass Boston Bursar's Office Student Tax Information
https://www.umb.edu/bursar/student_tax_information
- UPST Determination of Independent Contractor Form
<https://www.dropbox.com/s/xwl1q64frvevoto/Determination%20of%20Independent%20Contractor%20Status%20Questions.docx?dl=0>

Acronyms and Definitions

- Principal Investigator (PI): the primary individual responsible for the preparation, conduct, and administration of a research grant, cooperative agreement, training or public service project, contract, or other sponsored project in compliance with applicable laws and regulations and institutional policy governing the conduct of sponsored research.
- Participant Support Costs: direct costs for items such as stipends, subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (not employees) in connection with conferences or training projects per code 2 CFR 200.75 ([Code of Federal regulations website](#)).
- Employee: an individual performing services if the relationship between them and the person for whom they perform such services is the legal relationship of employer and employee. The term includes officers and employees, whether elected or appointed, of the United States, a State, Territory, Puerto Rico, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing ([26 CFR § 31.3401\(c\)-1 – Employee \(Cornell Law School\)](#)).
- Student: A student is a person seeking a degree or other educational credential at UMass Boston. A student ceases to be a student upon graduation or official separation from UMass Boston. A student who is not enrolled in the summer but has not graduated is still a student.
- WISER: Web Information Systems for Everyone Remix; system that hosts student-related information, such as courses, grades, and financial information for students and faculty ([WISER homepage](#)).



Standard Operating Procedures

1. Determine if payee is a student or employee:
 - a. Is the student record ACTIVE in WISER?
 - If yes, treat payment as a student payment and continue to step 2
 - If no, is the student record COMPLETED (graduated) or DISCONTINUED (left the program)?
 - If yes, then this payment is not considered a student payment; pay student as an employee or consultant (see [UPST Determination of Independent Contractor Form](#))
 - If no, please stop the process and consult with ORSP for further guidance

2. Determine the nature of UMB's relationship with the student for this request:
 - a. Is the student providing a service directly benefiting UMB, such as providing research work directly toward a Principal Investigator's sponsored research, grading exams, leading study sessions, etc.; AND
 - b. Does UMB have the right to direct the work, both the result and the method, including termination and reassignment of the funding opportunity?
 - If yes to both (a) and (b) above, then this payment reflects employment compensation and must be paid via an electronic Personnel Action Form (ePAF) to initiate a payroll record
 - If yes to (a) but no to (b) above, then payment reflects a consultant payment and must be paid via Buyways as a vendor payment
 - If no to both (a) and (b) above, then treat the payment as academic support, depending on the student's status with UMB:
 - UMass Boston Domestic Student – process payment using a student disbursement voucher (SDV)
 - UMass Boston International Student – process payment using a vendor disbursement voucher (DV)
 - NonUMass Boston Student (e.g. UMass Amherst student)– process payment using a vendor disbursement voucher (DV)
 - c. Note: payments for participant support (see definition above) are NEVER employment and would need to be defined as such in the grant proposal



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3. Determine what is being paid and include the following form plus additional payment support listed, to ensure payment is processed timely and accurately:
 - a. Stipend/ Living Allowance – (S)DV plus the award letter stating the student’s selection and what the payment is for
 - b. Expense Reimbursement – (S)DV plus copies of student receipts supporting the amount reimbursed
 - c. Student Research Human Subjects/ Participant Support – (S)DV for the budgeted amount plus the award document justifying the payment
 - d. Nonmonetary Awards to Students – items such as a computer (not UMB owned) require an award letter stating the student selection, description of the item being provided, and the value of the item

Note: any questions on sponsored student payments should be directed to the sponsored student payments coordinator

Examples of Common Sponsored Awards Involving Students:

1. PI Awards with Student Workers
 - A sponsored award for a UMB PI (faculty, etc.) in which their research has student service benefitting their work, such as lab assistants, workshop staff, survey conductors
 - This is employment as UMB derives a direct benefit
2. NIH Diversity Supplement on PI Award
 - While written as a fellowship, NIH has stated these awards are considered employment as the work produced is integral to the UMB PI’s work on the main award
 - Note: Students are not eligible to hold the PI position; a faculty mentor must be listed in the PI role
3. Awards made directly to the student
 - Regardless of title, the IRS considers these scholarships/fellowships and should always be treated as academic support
 - If student is providing an employment service to the sponsor, if possible, then reframe as an internship (see #4 below); otherwise, this should not be processed through UMB and student should be employed directly by the sponsor
 - Note: Students are not eligible to hold the PI position; a faculty mentor must be listed in the PI role
4. Internships/Training Grants
 - UMB is the organizing school, with an external institution acting as the internship host
 - An employment relationship may exist with the host where the service benefit is to the host; UMB derives no service benefit and holds no employment relationship
 - If UMB is paying the student, then payment should be processed via a stipend



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Additional Notes Regarding Student Payments:

1. Students are not eligible to hold the PI position; a faculty mentor must be listed in the PI role
2. In the event the award explicitly requires students to be paid on payroll, these payments would be processed via ePAF. Care should be taken, however, to ensure such a clause is not included in the award. UMB does not take on employer and, potentially, union liabilities for nonemployees, both legally and financially.
3. UMB does not provide procurement on behalf of nonemployees unless items are inaccessible/restricted or financially prohibitive. These are assessed on a case-by-case basis.
4. Budgeted human subject payments in a student's award, whether gift cards or cash advances, are NEVER procured. An advance payment for the budgeted amount should be processed via a student disbursement voucher (SDV).
5. The student is responsible for providing sufficient information to the department to enable a determination of status and is ultimately responsible for determining their tax liability and filing their individual income tax return with the IRS.
6. The department is responsible for determining if a student's scholarship, fellowship or other award requires services to be rendered before receipt of payment.
7. Student payments are reportable to the Internal Revenue Service (IRS). Non-employee compensation will be reported on Form 1099-misc box 3 or 1042-s (non-US tax residents), where required. Employee compensation will be reported on Form W-2. Students should consult a tax professional for advice and counsel to ensure these payments are reported correctly when taxes are filed.

Compliance

- Cornell Law School – 26 CFR § 31.3401(c)-1 – Employee
[https://www.law.cornell.edu/cfr/text/26/31.3401\(c\)-1#:~:text=\(a\)%20The%20term%20employee%20includes,relationship%20of%20employer%20and%20employee](https://www.law.cornell.edu/cfr/text/26/31.3401(c)-1#:~:text=(a)%20The%20term%20employee%20includes,relationship%20of%20employer%20and%20employee)
- Internship Law Issues
<https://www2.winona.edu/career/media/internship-law-issues.pdf>
- Internships Under the Fair Labor Standard Act
<https://www.dol.gov/agencies/whd/fact-sheets/71-flsa-internships>
- IRS Topic No. 421, Scholarships, Fellowship Grants, and Other Grants
<https://www.irs.gov/taxtopics/tc421>
- IRS Publication 970, Tax Benefits for Education
<https://www.irs.gov/forms-pubs/about-publication-970>