

## **GUIDELINES FOR PAYING STUDENTS**

Effective July 1, 2023

### **GUIDELINES PURPOSE**

The University of Nebraska System (NU) strives to ensure all payments made to students are made via the appropriate method(s) for compliance with applicable system, state and federal policies, laws and regulations. Evaluation and application of proper procedure is necessary due to tax implications for both the student and NU.

Effort has been made to provide examples for each type of payment and include guidance for NU students and non-NU students, as well as payments to resident and non-resident alien students. Dollar amounts in examples are for illustrative purposes only.

### **Identified Types of Payments Made to Students and Other Guidance**

1. [Wages/Compensation to Student Employee for Services Rendered](#)
2. [Payment to Non-Employee Student for Services](#)
3. [Honorarium](#)
4. [Human Research Participant Payment](#)
5. [Survey or Event Participant Payment](#)
6. [Prize](#)
7. [Travel/Expense Reimbursement or Meal Per Diem for NU Business](#)
8. [Scholarship/Fellowship](#)
9. [Internship](#)
10. [Student Leaders with Job Classification](#)
11. [Royalty Payments](#)

The primary purpose of this document is to assist NU departments to identify the type 5.1 (te f Tf 0 8G41s)4.9 (s

This guidance does not apply to separate legal entities (student clubs or organizations), but this guidance does apply to all payments made by all departments and organizations of the University

If payments are required to be reported by NU for tax purposes, the payment system (SAP or NeSIS) will determine whether to use a Federal Form W-2, 1099-NEC, 1099-MISC, or 1042-S to report the payment.

- x Form W-2 – Wage & Tax Statement: This form is used to report wages and withholding for an employee.
- x Form 1099-NEC – Non-employee Compensation: This form is used to report compensatory non-employee payments that exceed \$600 during a calendar year.
- x Form 1099-MISC – Miscellaneous Income: This form is used to report non-compensatory payments when the payments exceed \$600 during a calendar year.
- x Form 1042-S – Foreign Person’s U.S. Source Income Subject to Withholding: This form is used to report payments and withholding to an NRA.

**This document does not include reporting payments required to reported on the Form 1098-T.** For information on the Form 1098-T, Tuition Statement, please visit the NU Tax Department website: <https://nebraska.edu/offices-policies/business-finance/tax-services/student-tax>

Payments may be defined as employment related for purposes of one law (such as the IRC) and non-employment pursuant to other laws (such as the Fair Labor Standards Act or the Higher Education Act.) This guideline addresses the requirements from an IRC tax law perspective. Finally, always confirm that the payment is an allowable expense under [NU financial policies](#) in Executive Memorandum 17.

**Types of Payments Made to Students and Examples**

Following are descriptions of common types of categories and related examples of payments made to students. The NU Tax Department is available to assist with analyzing situations that are unclear or not properly addressed in the examples. P2P is available to answer questions related to expense allowability. Student Finance is available to answer questions related to financial aid.

**1. Wages/Compensation to Student Employee for Services Rendered**

Payment for services performed by students pursuant to an employer/employee relationship with NU are wages. Wages include research grant payments either from a grant administered by the Sponsored Programs of NU campuses, or from other funds, when the payment is for services rendered as an employee. Wages are always paid through Payroll. Wages are reported to the employee, and the IRS, as Form W-2 income for US Taxpayers and on either a Form 1042-S or Form W-2 for NRA students, depending on treaty applicability. If a payment by an NU department to a student employee does not relate to an employment relationship, please review the other types of payments described in Sections 2 through 12 to identify the appropriate category for the non-wage payment.

Payment Type	Payment System	NU Reporting to US Taxpayer Student	NU Reporting to Nonresident Alien (NRA) Student
Student Employee Wages for Services	Payroll	W-2	1042-S or W-2

*Example 1A – Hourly student employee:* A US Taxpayer student works in the bookstore on a part-time hourly basis. The student records hours worked and is paid through Payroll. The student and the IRS receive a Form W-2.

*Example 1B – Teaching Assistant:* An NRA graduate student works as a teaching assistant as part of a doctoral program. The payments the student receives are wages, paid through Payroll, and reported to the recipient, and IRS, on a Form 1042-S or a Form W-2, depending on treaty applicability.

*Example 1C – Student employee paid with grant funds:* A US Taxpayer student employee performs research services required under an NU Sponsored Program contract with a third party. The payment is for services rendered as an employee. The student is paid through Payroll. The student, and the IRS, receive a Form W-2. *For grant funds used for stipends that are not related to performing services, see [Sections 8. Scholarships/Fellowships](#).*

*Example 1D – Student employee working with faculty on research:* A US Taxpayer student assists faculty with research through an NU program (WRAP, SURP, UCARE, INBRE, MSSRP, etc.) with allotted or designated daily, weekly, monthly, quarterly, or semester paid work hours. These hours represent services rendered as an employee. The student is paid through Payroll. The student, and the IRS, receive a Form W-2. *For research awards when students do not perform services see [Sections 8. Scholarships/Fellowships](#).*

*Example 1E – Student hired to tutor:* A US Taxpayer student is hired by an NU department to tutor for set hours weekly. These hours represent services rendered as an employee. The student is paid through Payroll. The student, and the IRS, receive a Form W-2. *Also see [Sections 9. Internships & 10. Student Leaders with Job Classifications](#).*

*Example 1F – Student working in the laboratory at the request of a Physician/Faculty:* A US Taxpayer student is provided an opportunity to work in the laboratory and is provided a stipend by the department. The student is designated with a daily, weekly, monthly, quarterly, or semester paid work hours. The student is paid through Payroll. The student, and the IRS, receive a Form W-2.

## **2. Payment to Non-Employee Student for Services**

Payments to students performing services are paid through P2P when there is no employer/employee relationship, but rather the student is working as an approved independent contractor. Please review and complete the [Independent Contractor Checklist](#) to determine if your student is an employee or independent contractor. When the determination is made that the student is an independent contractor, this form should be provided and approved by the Business & Finance Office on each individual campus. For a US Taxpayer student, if the payments equal or exceed \$600 for a calendar year, they are reported to the individual, and the IRS, as Form 1099-NEC income. All payments to NRA students are reported on a Form 1042-S, regardless of the amount.

<b>Payment Type</b>	<b>Payment System</b>	<b>NU Reporting to US Taxpayer Student</b>	<b>NU Reporting to Nonresident Alien (NRA) Student</b>
<b>Payment to Non-employee Student for Services</b>	<b>P2P</b>	<b>1099-NEC if \$600</b>	<b>1042-S</b>

*Example 2A – Non-employee services:* A US Taxpayer student is paid to perform piano music at an evening reception held on campus. The student is not an employee and should be paid through P2P, with the income reported to the student, and IRS, if it is \$600 or more.

*Example 2B – Non-employee services with materials allowance:* A US Taxpayer student is paid to create a sculpture outside of their coursework. The student is paid for their services and given a materials allowance to buy supplies. The student is not an employee and should be paid through P2P, with the income reported to the student, and IRS, if it is \$600 or more. Please note that NU prefers direct expensing of student materials (i.e., materials for students should be bought directly by the NU department rather than giving students allowances or reimbursements, which would otherwise be taxable income).

*Example 2C – Employee providing non-related services:* A US Taxpayer student is paid to perform piano music at an evening reception held on campus. The student is employed by NU as a parking attendant. Per BOR Policy 6.2.1.16, the student needs to be paid through payroll if they are employed by NU or proper approval is needed by the principal business officer to pay the student through P2P. If paid through payroll, the student will see this reported on their W-2. If proper approval is provided, the student is paid for the piano services through P2P with the income reported to the student, and IRS, if it is \$600 or more.

*Example 2D – Marching Band members:* A group of US Taxpayer Marching Band members play at events during winter break (they are not representing the University), and each receive a \$50 payment as compensation. The payments should be paid through P2P for all the students since the payment does not relate to any employment relationship they may have with NU. NU has no reporting requirements because the amount is less than \$600, although the income may be taxable for the student.

*Example 2E – Non-employee who is a Visiting Student:* A visiting student is being paid by another institution to provide services to an NU department. The NU department would like to provide the student an additional compensation through a stipend. The stipend paid to the student will go through P2P with the income reported to the student, and IRS, if it is \$600 or more.

*Example 2F – Research Experience Undergraduates (REU) funded by the National Science Foundation (NSF):* These programs funded specifically by the National Science Foundation offer an award to offset living expenses while participating in the program. These students are not hired as employees, so they are not paid a salary or wage. Examples of these types of programs can be found here <https://www.nsf.gov/crssprgm/reu/>. The payment will be made by P2P for programs funded by NSF. Please see the REU Payment process document. There is no reporting to the student, or the IRS, by NU regarding the total, although the payment may be subject to tax for the student.

### 3. Honorarium

An honorarium is a payment to show appreciation for student involvement in, and contribution to, an NU event. The NU event could be a symposium, conference, workshop, seminar, or other educational activity. Honorariums are deemed compensatory in nature and the appropriate payment system is dependent on whether the student's contribution being honored relates to an employment relationship with NU.

An honorarium paid to a student for performing employment related services (should not be considered an honorarium, FLSA applies and minimum wage) is paid through Payroll and reported on a Form W-2 for a US Taxpayer student and on either a Form 1042-S or Form W-2 for an NRA student, depending on treaty applicability.

Honorariums are reported for the non-employment work to a student, and the IRS, as Form 1099-NEC income for US Taxpayer students if the payment is \$600 or more, and as Form 1042-S income for NRA students, regardless of the amount. NRA's holding J-1, B-1, or B-2 visas may receive honorarium payments. Most other types of visas do not permit honoraria payment. Regarding a J-1 visa, only J-1 nonstudent visa holders (teacher/professor, research scholar, or short-term scholar) may receive an honorarium payment and they would need written permission from their International Sponsor.

Payment Type	Payment System	NU Reporting to US Taxpayer Student	NU Reporting to Nonresident (NRA) Student
Honorarium, Employment Related	Payroll	W-2	1042-S or W-2
Honorarium, Not Employment Related	P2P	1099-NEC if \$600	1042-S

*Example 3A – Non-employee honorarium:* A non-employee US Taxpayer student collaborates with faculty and other students to plan an NU conference. The Department pays the student \$50 to show appreciation for the student's contribution to the NU event. The payment is made through P2P, and no reporting is required by NU to the IRS, because the amount is less than \$600, but the amount may be taxable income to the student. **NRA student is not eligible for an honorarium in this example.**

*Example 3B – Employee honorarium, employment related:* An employee US Taxpayer student collaborates with faculty and other students to plan an NU conference sponsored by the Department in which the student works. The Department pays the student \$50 in addition to the student's hourly wage. The \$50 honorarium payment is paid through Payroll, and it is included in the student's Form W-2 income. **And reported to the IRS if \$600, but (twyer student collabo-24.r) to pla**

#### **4. Human Research Participant Payment**

A human research participant payment is made to a student whom an investigator (professional or student) conducting research obtains data, through intervention, interaction, or by gathering privileged information about the individual. This payment is made to encourage a student to participate in providing informati

NRA students, regardless of the amount. Non-cash payments received by an NU student must be reported to Student Finance and P2P. Non-cash payments to non-NU students (visiting students) must be reported to P2P. This payment is reportable as Form 1099-MISC income to US Taxpayers when \$600 or more, and as Form 1042-S income for NRA students, regardless of the amount.

<b>Payment Type</b>	
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Payment Type	Payment System	NU Reporting to US Taxpayer Student	NU Reporting to Nonresident Alien (NRA) Student
Prize Payment to NU Student	P2P & Student Finance	1099-MISC if \$600	1042-S
Prize Payment to NU Student Employee	Payroll	W-2	1042-S or W-2
Prize Payment to non-NU Student	P2P	1099-MISC if \$600	1042-S

*Example 6A – Cash prize:* A US Taxpayer non-NU student enters several photos in a contest and wins a prize of \$800. The payment is made through P2P and reported to the US Taxpayer, and the IRS, as Form 1099-MISC income.

*Example 6B – Property prize:* An NU, NRA student creates and enters a video in a contest, and wins a new computer valued at \$500. The value of the computer is reported to Student Finance and P2P by the department holding the contest, and the value is reported to the NRA student, and the IRS, on a Form 1042-S.

*Example 6C – Entrepreneur prize:* A US Taxpayer NU student enters an entrepreneur contest held by an NU department. Student contestants submit a description of a start-up business developed by the student. Winners are awarded \$2,000 to support further work on their project. The award is made through P2P and reported to Student Finance, and it is reported on a Form 1099-MISC to the student, and the IRS. Although this award may be used for furthering the business of the start-up (which could be a charitable organization), the award is made to the student. The award could impact any financial aid package the student may have previously been awarded.

**Example 6D – Prize to NU Student Employee –** An NU Student works as an hourly employee on campus. This student attends an event that has a drawing of a \$50 gift card for attendees. The student wins the gift card. This prize needs to be reported to payroll by the department holding the contest to be reported on IRS Form W-2 or Form 1042-S.

### **7. Travel/Expense Reimbursement or Meal Per Diem for NU Business**

A travel reimbursement or meal per diem payment made to a student traveling on behalf of NU is made according to NU's [Travel Policy and Duty of Care](#). The department making the reimbursement must determine whether the student is incurring the expenses primarily for NU business, such as for an employee, or primarily for the benefit of the student.

When the primary beneficiary of the expense is NU, the payment is treated as an NU business expense. When the primary purpose of the expense payment is to support a learning opportunity of the student, it is treated as a scholarship pursuant to [Sections 8. Scholarships/Fellowships](#).

Business expenses must be substantiated with receipts and/or documentation of the specifics of travel for per diem. NU's Travel Policy and Duty of Care is used to ensure reimbursements and/or other expense allowance arrangements meet IRS requirements related to business-connection, expense substantiation, and the timely return of amounts more than substantiated expenses; therefore, are not taxable to the recipient or IRS reportable.

Payment Type	Payment System	NU Reporting to US Taxpayer Student	NU Reporting to Nonresident Alien (NRA) Student
Travel Reimbursement for University Business	P2P	1099-MISC if \$600	1042-S

*Example 7A – Representing NU at conference:* An NU graduate program student travels to a conference out-of-state, at the department’s request, to represent NU by attending and presenting a poster. The student is reimbursed based on the University Travel Policy. No reporting to the student, or the IRS, for this reimbursement of travel expenses.

*Example 7B - Work related professional development account:* A department awards an NU Teaching Assistant (TA) \$500 budget allocation to be used for professional development. The funds may be used to travel to work related conferences or to purchase work related materials that remain with NU after the TA leaves employment. The primary beneficiary is NU, so the funds are used for NU business expenses paid through P2P. Also see [Example 8e – Travel Scholarship for Education](#).

### **8. Scholarship/Fellowships**

A scholarship is a set monetary award to cover educational expenses of a student that is either need-based or merit based. These payments **cannot** represent payment for services or wages, i.e., payment for teaching, research, or other services required as a condition of receipt of monetary award.

A fellowship is a set monetary award or monetary

<b>Payment Type</b>	<b>Payment System</b>	<b>NU Reporting to US Taxpayer Student</b>	<b>NU Reporting to Nonresident</b>
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*Example 8E – Travel Scholarship for Education:* A student participating in an NU program travels to an out-of-state conference. The student will not be presenting at the conference, but NU agrees to pay \$500 for travel costs so the student is able to experience the conference. This payment is a scholarship because the student is traveling solely for educational purposes. There is no reporting to the student, or the IRS, by NU regarding the total scholarship, although the payment may be subject to tax for the student. *For students traveling on NU business, see [7. Travel/Expense Reimbursement or Meal Per Diem for NU Business](#).*

*Example 8F – Outstanding Student Awards:* The biology department selects an outstanding student each year at the department's annual banquet to receive a \$50 award provided by the University of Nebraska Foundation. The professors in the department select from all the students in biology courses for the year. This payment is a scholarship because no services are performed in exchange for the award and the student does not enter to win. There is no reporting to the student, or the IRS, by NU regarding the total scholarship, although the payment may be subject to tax for the student. *See [Section 6. Prize](#) for treatment when a student enters a contest.*

*Example 8G – External Internship for Experiential Learning Scholarship:* A student participates in an experiential learning opportunity for an outside organization that is unpaid and grants no credit hours. The student is employed by the organization and the scholarship is used to cover the student's living expenses. The scholarship is not subject to tax for the student. *See [Section 6. Prize](#) for treatment when a student enters a contest.*

Students may receive payments from NU relating to opportunities to engage in internships; these represent payment for services or wages. Internship opportunities may be located at NU or other external locations. Only internships that are executed by NU under the direction and control of NU faculty or staff members are applicable for payments by NU. If the internship is not executed or controlled by NU, the payments must be processed outside NU.

<b>Payment Type</b>	<b>Payment System</b>	<b>NU Reporting to US Taxpayer Student</b>	<b>NU Reporting to Nonresident Alien (NRA) Student</b>
<b>Internship at NU</b>	<b>Payroll</b>	<b>W-2</b>	<b>1042-S or W-2</b>

*Example 9A – Internship at NU:* A US Taxpayer student is chosen to work as an intern in an NU department. The student is working under the direction and control of an NU faculty member. The student is paid wages on an hourly basis. The student, and the IRS, receive a Form W-2.

<b>Payment Type</b>	<b>Payment System</b>	<b>NU Reporting to US Taxpayer Student</b>	<b>NU Reporting to Nonresident Alien (NRA) Student</b>
<b>Student Leader with Job Classification</b>	<b>Payroll</b>	<b>W-2</b>	<b>1042-S or W-2</b>

*Example 10A – Resident Assistant:* A Resident Assistant (RA) aids in acclimating to the NU environment. NU requires RAs to live in the residence hall and provides room and board as part of the RA’s appointment. The RA has a job classification and is considered an employee from the tax perspective but is not an employee from the FLSA perspective. There are no reporting requirements to the IRS or student for the room and board provided to the student because of a specific exclusion in the IRC that applies to these facts.

*Example 10B - 4-H STEM CARES Instructional Leader:* A 4-H STEM CARES Instructional

## **CONTACTS**

### **NU Tax Department**

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