



## Policy 2.6 Payments for Scholarships, Fellowships, Stipends, Grants and Awards

**Responsible Official:** VP for Finance  
**Administering Division/Department:** Payment Services  
**Effective Date:** March 20, 2007  
**Last Revision:** March 27, 2007

### Policy Sections:

1. Overview
2. Applicability
3. Policy Details
4. Related Links
5. Contact Information
6. Revision History

### Overview

The purpose of this policy is to establish the responsibilities, controls, and procedures for the processing of scholarships, fellowships, stipends, grants and awards in Payment Services, including federal reporting guidelines.

### Applicability

This policy applies to employees in the department of Payment Services of Emory University who process payment requests for scholarships, fellowships, stipends, grants and awards.

### Policy Details

#### 2.6.1 IRS Regulations

There is no requirement by the Internal Revenue Service (IRS) Regulations to issue a Form 1099 to US Citizens or Permanent Residents who are recipients of scholarships or fellowships if there is no service requirement. The one exception is for National Research Service Award (NRSA) recipients. The National Institutes of Health (NIH) require the amounts be reported on a 1099; NRSA payments are processed through Payroll.

The scholarship or fellowship recipient who does not receive a 1099 is required to report the award to the IRS. This award may be offset by tuition, fees and books.

##### 2.6.1.1 US tax residents

Emory University requires that payments for scholarships, fellowships and stipends be reported to the IRS if there are service requirements.

##### 2.6.1.2 Non-Resident Aliens

Emory University requires that payments for scholarships and fellowships for non-resident aliens be reported to the IRS on Form 1042-S regardless of service requirements.

#### 2.6.2 Non-Resident Aliens

Scholarships and fellowships issued to non-resident aliens are reportable regardless of service requirements. These payments are reported on Form 1042-S. Some payments to non-resident aliens are submitted on Form 4 through Payment Services. These requests must be reviewed by [Mary Chenault](#) in the Controller's Office prior to payment in order to determine the tax consequences. The 1042-S reporting for these payments is done by [Carol Carter](#) in the [Controller's Office](#).

### 2.6.3 Service Requirements

Scholarships, fellowships, stipends, grants and awards are not subject to 1099 reporting if there are no service requirements. Determination should be made through PeopleSoft to verify if recipient is an employee before issuing a check through Payment Services. If recipient is determined to be an employee, questions should be directed to [Joleen Mitchell](#) in the [Payroll](#) department. She will review the request closely to determine if the payment is related to the employee's job. Service requirement awards must be paid through the Payroll department. The recipient of an award with service requirements must be a US citizen, permanent resident or a resident for tax purposes. The recipient of any scholarship, fellowship, grant, stipend or award that requires the individual provide service to the University would be classified as an employee and would be subject to tax withholding through Payroll. If a stipend is non-compensatory and issued against a grant account it must be approved by Joleen Mitchell and paid through the Payroll department.

### 2.6.4 Reporting Guidelines

General principles relating to when or when not to file an information return on Form 1099 that are applicable:

1. A scholarship or fellowship is not reportable by the University if:
  - a. Recipient is a candidate for a degree at an educational institution and
  - b. The grant is a qualified scholarship or fellowship
2. Payments to scholarship, fellowship or stipend recipients are not reportable by Emory University to the IRS except for the following:
  - a. Payments are made to a Non-Resident Alien
  - b. There is a service requirement

### 2.6.5 Payment Method

The Payment Services Specialist Senior is responsible for determining if an award should be processed through Payment Services. Fellowships and scholarships are issued through Financial Aid and awards with service requirements are issued through the Payroll department. The recipient will receive a W-2 or 1099 through the Payroll Department.

### 2.6.6 Twenty Common Law Factors for Independent Contractors

The IRS has developed twenty common law factors which are used on a case-by-case basis to determine whether a worker is an independent contractor or an employee for IRS tax purposes. Independent contractors do not have to satisfy all of the twenty common law factors. It is best to think of the factors as weights on a balance scale.

The twenty common law factors of a perfect independent contractor relationship are:

**No Instructions** : Independent contractors are not required to follow, nor are they furnished with, instructions to accomplish a job.

**No Training** : Independent contractors typically do not receive training by the hiring firm. They use their own methods to accomplish the work.

**Others can be hired:** Independent contractors are hired to provide a result and usually have the right to hire others to do the actual work.

**Independent contractor's work not essential:** A company's success or continuation should not depend on the service of outside independent contractors. An example violating this would be a law firm which called their lawyers independent contractors.

**No time clock:** Independent contractors set their own work hours.

**No permanent relationship:** Usually independent contractors don't have a continuing relationship with a hiring company. The relationship can be frequent, but it must be at irregular intervals, on call, or whenever work is available.

**Independent contractors control their own workers:** Independent contractors shouldn't hire, supervise, or pay assistants at the direction of the hiring company. If assistants are hired, it should be at the independent contractor's sole discretion.

**Other jobs:** Independent contractors should have enough time available to pursue other gainful work.

**Location:** Independent contractors control where they work. If they work on the premises of the hiring company, it is not under that company's direction or supervision.

**Order of work:** Independent contractors determine the order and sequence in which they will perform their work.

**No interim reports:** Independent contractors are hired for the final result only. They should not be asked for progress or interim reports.

**No hourly pay:** Independent contractors are paid by the job, not by time. Payment by the job can include periodic payments based on a percentage of job completed. Payment can be based on the number of hours needed to do the job times a fixed hourly rate. Payment method should be determined before the job commences.

**Multiple Firms:** Independent contractors often work for more than one firm at a time.

**Business expenses:** Independent contractors are generally responsible for their own business expenses.

**Own tools:** Independent contractors usually furnish their own tools. Some hiring firms have leased equipment to their independent contractors so that they could show the independent contractor had their own tools and an investment in their business. This strategy won't work if the lease is for a nominal amount or can be voided by the hiring firm at will. The lease must be equivalent to what an independent business person could have obtained in the open market.

**Significant investment:** Independent contractors should be able to perform their services without the hiring company's facilities (equipment, office furniture, machinery, etc.). The independent contractor's investment in his or her trade must be real, essential, and adequate.

**Services available to the public:** Independent contractors make their services available to the general public by one or more of the following:

1. Having an office and assistants;
2. Having business signs;
3. Having a business license;
4. Listing their services in a business directory; or
5. Advertising their services.

**Profit or Loss possibilities:** Independent contractors should be able to make a profit or a loss. Employees can't suffer a loss. Five circumstances show that a profit or loss is possible:

1. The independent contractor hires, directs, and pays assistants;
2. The independent contractor has his own office, equipment, materials, or facilities;
3. The independent contractor has continuing and recurring liabilities;
4. The independent contractor has agreed to perform specific jobs for prices agreed upon in advance; and
5. The independent contractor's services affect his or her own business reputation.

**Can't be fired:** Independent contractors can't be fired so long as they produce a result which meets the contract specifications.

**No compensation if the job isn't done:** Independent contractors are responsible for the satisfactory completion of a job or they may be legally obligated to compensate the hiring firm for failure to complete.

## Related Links

- Current Version of This Policy: <http://policies.emory.edu/2.6>

- [Tax Issues for Trainee/Fellowship Recipients](http://Taxability Issues for Trainee/Fellowship Recipients.) (http://Taxability Issues for Trainee/Fellowship Recipients.)

#### Contact Information

| Subject          | Contact | Phone        | Email              |
|------------------|---------|--------------|--------------------|
| Payment Services |         | 404-727-5400 | e-market@emory.edu |

#### Revision History

**No previous versions of this policy were found.**