Financial Management Office
New Grant-In-Aid Tab
Scholarship / Fellowship
Part 1

July 1, 2015
What’s New?

• New Disbursement Voucher (DV) tab called “Grant-in-Aid”

• Reduction of 65XX Object Codes from 24 to six (6)
Advantages of the Grant-in-Aid Tab?

- Eliminates use of DISB-26/36 forms
- Eliminates scanning and attaching forms
- Assists users in selecting the correct object code
- Assists Financial Aid Office to track payments of UH Students
- Provides “Help Link to AP 8.561”, Tax Treatment for Non Service Financial Assistance
Purpose

• Prepare staff to effectively use the new Grant-In-Aid tab

• Provide information on scholarship and fellowship to select correct button in new Grant-In-Aid tab

• Provide examples of types of payment to be selected on the new Grant-In-Aid tab
How To Effectively Utilize New Grant-In-Aid tab:

- Have knowledge on the various types of Grant-in-Aid payments (i.e. scholarship/fellowship) as indicated in AP 8.561 and select the correct button on the type of payment in the new Grant-In-Aid tab.

There are four buttons on the new tab:

1. Qualified educational expenses
2. Non-qualified educational expenses
3. Services Performed
4. Expenses under accountable plan
AP 8.561

- FMO Website ➔ Tax Services
  http://www.fmo.hawaii.edu/tax_services/index.html

- Policies and Guidelines tab
  - AP 8.561

- Read and understand definitions:
  - Qualified and nonqualified scholarship
  - Fellowship

- FAQ Tab
AP 8.561 definitions

- **Qualified scholarships/fellowships** (for “Qualified Educational Expenses” button in new Grant-In-Aid tab)
  - Section III B 1 of Administrative Procedure

- **Non-qualified scholarships/fellowships** (for “Non-qualified Educational Expenses” button in new tab)
  - Section III B 2 of Administrative Procedure

- **Tax treatment of qualified scholarships/fellowships** (for “Services Performed” button in new tab)
  - Section III A 1 C of Administrative Procedure

- **Tax treatment of non-qualified scholarships/fellowships** (for “Expenses Under Accountable Plan” button in new tab)
  - Section III B 2 A of Administrative Procedure
### Tax Treatment of Scholarship and Fellowship Matrix

<table>
<thead>
<tr>
<th></th>
<th>Qualified Scholarship and Fellowship</th>
<th>Non-Qualified Scholarship and Fellowship</th>
<th>General Program Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U. S. Citizen</strong></td>
<td>No Reporting</td>
<td>No Reporting</td>
<td>No Reporting</td>
</tr>
<tr>
<td><strong>Permanent Resident Alien &amp; Resident Alien</strong></td>
<td>No Reporting</td>
<td>No Reporting</td>
<td>No Reporting</td>
</tr>
<tr>
<td><strong>Nonresident Alien</strong></td>
<td>No Reporting</td>
<td>1042-S Reporting and Possible Tax Withholding</td>
<td>No Reporting</td>
</tr>
</tbody>
</table>
Sample FAQ #1
Qualified Educational Expenses

Q: UH provides a check of $10,000 to a student enrolled at UH for tuitions and fees only. How is this payment classified? What is the proper process in KFS?

A. This payment should be classified as a “qualified educational expense” button in new Grant-In-Aid tab. Since this is for a UH enrolled student, the proper process should be done in Banner.
Sample FAQ # 2
Non-Qualified Educational Expenses

Q: The University is planning to pay for the travelling expenses of a student to present his paper at a conference relating to his field of studies in class. The trip is not an annual recurring situation for the department. Explain the tax treatment of the travel expenses.

A: The travel expenses would be treated as a "non-qualified" scholarship for the student because (1) the conference is not a normal, recurring expense of the University and (2) the student is benefitting from the trip.

❖ If the student is a U.S. citizen, permanent resident, or resident alien, the University is not required to report the value of the trip, but the expenses are considered “income” to the student.

❖ If the student is a nonresident alien, the University is required to report the value of the trip on IRS Form 1042-S, and tax withholding may be required.

❖ If the student is on a F, J, M or Q visa, the standard withholding rate of 30% is reduced to 14%. The tax withholding amount may be reduced or eliminated depending on the student’s country’s tax treaty status.
Sample FAQ # 3

Services Performed

Q: The University is planning to pay a scholarship payment to the student for cleaning the lab for two hours every week. Explain the tax treatment of this scholarship payment.

A: The payment should not be treated as a scholarship payment as services was performed in getting this payment. This should be processed as payroll.
Sample FAQ # 4

Expenses Under Accountable Plan
(employment related)

Q: The University is reimbursing travel expenses paid by a postdoctoral fellow who is an employee at another university. How is this payment treated for tax purposes?

A: Reimbursement of these travel expenses could be treated under the accountable plan with no reportable tax consequences to the postdoctoral fellow who is an employee elsewhere.
Other Considerations:

• All scholarship and fellowship payments made to or on behalf of University of Hawaii students must be processed through UH
  - AP 8.561 – 3rd paragraph under I. Purpose

• Definition of “General Program Expense”
  - AP 8.561

• Definition of “Permanent Resident Alien”
  - AP 8.561

• Understand and recognize third party payments of non-qualified scholarship/fellowship for nonresident aliens
Reference Sources:

- FMO Website → Tax Services
  http://www.fmo.hawaii.edu/tax_services/index.html
  - AP 8.561 (Policies and Guidelines Tab)
  - FAQs (FAQ Tab)

- Scholarship Fellowship Brochure

- Webinar
Questions?

Please forward your questions/inquiries to your Business office or FA.