



UNIVERSITY  
*of* HAWAII'  
SYSTEM

# 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](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

	Qualified Scholarship and Fellowship	Non-Qualified Scholarship and Fellowship	General Program Expense
U. S. Citizen	No Reporting	No Reporting	No Reporting
Permanent Resident Alien & Resident Alien	No Reporting	No Reporting	No Reporting
Nonresident Alien	No Reporting	1042-S Reporting and Possible Tax Withholding	No Reporting



## 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 – 3<sup>rd</sup> 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](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.