

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 polices, 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 of payment and proper disbursement to the student through the appropriate channel. NU has three primary sources of disbursement; Procure-to-Pay (P2P)¹, Payroll, and Student Finance². P2P and payroll are both functions of SAP, and these functions are managed by the NeBIS team. Student Finance is operated by the NeSIS system. NU departments accurately utilizing the correct disbursement type and method will ensure NU is meeting tax reporting and financial aid requirements.

¹ Procure-to-Pay (P2P) is the University of Nebraska System wide initiative to centralize procurement and payment departments; previously accounts payable.

² Student Finance is the equivalent of the Office of Scholarships and Financial Aid, Office of Financial Support and Scholarships, Division of Student Accounts, etc. depending on individual campus terminology.

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 of Nebraska Board of Regents.

Important Tax Information

All income is taxable regardless of whether it is classified as a scholarship or compensatory payment; however, amounts classified as scholarships are eligible for potential exclusion from income under Internal Revenue Code (IRC) Section 117 if the funds are used to pay qualified educational expenses i.e., for tuition, required fees, books, and course-required school supplies. NU has no withholding responsibilities for scholarships (except as related to international students). It is important to note that the student is responsible for tracking the payments/scholarships received, as well as the costs of tuition and other required educational fees, books, supplies, and equipment for purposes of identifying taxable income/credits. NU does report payments received for tuition and scholarships on Form 1098-T, but students retain the tax reporting and withholding responsibilities for compensatory payments.

In accordance with IRS regulations, NU does not provide personal tax advice. Students and non-students are recommended to contact their personal tax advisor, accountant, attorney, or the IRS for personal tax questions.

Key Concepts & Terminology

Compensatory payments are dependent upon the student providing services as a condition of receiving the payment.

Non-compensatory payments are made without regard for services rendered by the student; the student does not perform any services in exchange for the payment.

Non-students refer to visiting students from another institution visiting the NU for a specific program.

Even if a payment to a student is not reportable to the Internal Revenue Services (IRS) by NU, **it still may be taxable to the student** and may need to be reported on the student's income tax return.³

The student may either be a US Taxpayer, meaning both United States students and resident aliens, or a non-resident alien (NRA) for tax reporting purposes. The information NU must provide to the student and/or IRS is determined based on the following:

1. The type of payment disbursed, and
2. Whether the recipient is a 1) US taxpayer or resident alien, or 2) an NRA

The treatment of payments to NRA students may be further impacted depending on whether the student is from a country that has entered a tax treaty with the United States.

³ Please see Chapter 1 of Publication 970 for further details, located here [2022 Publication 970 \(irs.gov\)](https://www.irs.gov/publications/p970).

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.

- Form W-2 – Wage & Tax Statement: This form is used to report wages and withholding for an employee.
- Form 1099-NEC – Non-employee Compensation: This form is used to report compensatory non-employee payments that exceed \$600 during a calendar year.
- Form 1099-MISC – Miscellaneous Income: This form is used to report non-compensatory payments when the payments exceed \$600 during a calendar year.
- 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 a 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 a 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 a 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 a 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.

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

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 a 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, a 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 \geq \$600	1042-S

Example 3A – Non-employee honorarium: A non-employee US Taxpayer student collaborates with faculty and other students to plan a 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 a 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.

Example 3C - Non-employee honorarium paid with gift card: A non-employee US Taxpayer student participates in Welcome Week activities, informing new undergraduate students about activities and encouraging their successful participation. The student receives a \$50 gift card from the related college in gratitude for the student's positive contributions. NU has no reporting requirements for non-employee students because the amount is less than \$600, although the income may be taxable for the student. **NRA student is not eligible for an honorarium in this example.**

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 information. The value of the payment is not commensurate with the effort a student expends and is not considered a payment for services for IRS reporting purposes. Income received by a student or non-student (visiting student from another University) participant is reportable as Form 1099-MISC income to a US Taxpayer when \$600 or more, and as Form 1042-S income for NRA students, **regardless of the amount**.

A participant receiving less than \$100 once a year does not need to provide his/her personal information (SSN/ITIN), but it is expected that all campuses do their proper due diligence to confirm that this participant will not be paid more than \$100 as a participant. If it is determined that the participant has received over \$100, personal information is required.

Payment Type	Payment System	NU Reporting to US Taxpayer Student	NU Reporting to Nonresident Alien (NRA) Student
Human Research Participant Payment	P2P	1099-MISC if \geq \$600	1042-S

Example 4A – Human Research Participant – non-student (visiting student) employee: A US Taxpayer student agrees to answer a questionnaire after viewing a series of photos depicting interactions between various individuals. The activity is spread over three days and takes from 6 to 12 hours. The student receives a \$50 prepaid debit card for participating. Because the total received does not equal or exceed \$600, there will be no reporting to the student or the IRS, although the amount may be taxable income to the student.

Example 4B – Human Research Participant: An NRA student participates in a six-month smoking cessation program and receives a one-time payment at the end of the program as an incentive for continuing to provide information throughout the study. The payment is made through P2P and reported to the student, and the IRS, on a Form 1042-S (regardless of the amount).

Example 4C – Human Research Participant – student employee: An employed US Taxpayer student agrees to be a participant in a research study. The research study does not relate to the student employment with NU. The student receives a \$650 check for participating. Due to the anonymity required for human research experiments, the check was paid through P2P because this did not relate to the student's employment with NU and reported to the student, and the IRS, on a form 1099-NEC.

5. Survey or Event Participant Payment (Non-Research)

A survey or event participant payment is made as an incentive for participation in a non-research survey or an event. The value of the payment is not commensurate with the effort expended and is not considered a payment for services for IRS reporting purposes. A department initiating the payment must report to P2P, so the Form 1099 will be issued when required. Cash payments received by a student or non-student participant is reportable as Form 1099-MISC income to US Taxpayers when \$600 or more in a calendar year, and as Form 1042-S income for

NRA students, regardless of the amount. Non-cash payments received by a 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.

Payment Type	Payment System	NU Reporting to US Taxpayer Student	NU Reporting to Nonresident Alien (NRA) Student
Survey or Event Payment to NU Student	P2P & Student Finance	1099-MISC if \geq \$600	1042-S
Survey or Event Payment to Non-NU Student	P2P	1099-MISC if \geq \$600	1042-S

Example 5A – Survey Participant: A US Taxpayer student answers an online questionnaire providing feedback on new registration procedures. To incentivize students to provide candid feedback on the survey and increase participation, the department conducting the survey awards a \$50 gift card to the participant. Additionally, the student is entered into a drawing along with all other survey respondents for the chance to win a laptop valued at \$750. There are no NU reporting requirements for the student gift cards, since it does not exceed \$600, but the student that ultimately wins the laptop, and the IRS, will receive a Form 1099-MISC reporting the value of the laptop and gift card as income. The department awarding the laptop must report the award to Student Finance for purposes of reviewing any impact on financial aid. The department must also report the amount to P2P so the Form 1099-MISC will be issued.

Example 5B – Event Participant: A department is holding a conference and has requested students attend to interact with and learn from conference attendees. Student attendees are entered in a drawing to win a \$50 gift card. A US Taxpayer’s name is drawn to receive the \$50 gift card. There is no reporting requirement for the University and no impact on financial aid.

6. Prize

A prize is received based on entry into a contest and includes awards of tangible personal property, gift cards, or cash. Scholarship and fellowships are awarded based on scholastic achievement and not treated as a prize; further addressed in [Sections 8. Scholarships/Fellowships](#).

A cash prize is reported to a US Taxpayer student or non-student, and the IRS, as Form 1099-MISC income if it is \$600 or more. The department initiating the payment must report the prize to P2P, so the Form 1099-MISC will be issued when required. A cash prize is reported to an NRA student on a Form 1042-S, regardless of amount. The value of a non-cash prize must be reported to P2P for all recipients, and it must be reported to Student Finance for NU students. This amount will be reported to a US Taxpayer student or non-student, and the IRS, as Form 1099-MISC income if it is \$600 or more. A non-cash prize is reported to an NRA student on a Form 1042-S, regardless of amount. Please note that a NU student means a recipient currently registered for class(es) at the University of Nebraska at the time the payment is made. This includes a recipient enrolled in a zero-credit course. If the receipt of the gift is between terms, the recipient is not considered a student.

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 \geq \$600	1042-S
Prize Payment to non-NU Student	P2P	1099-MISC if \geq \$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: A 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 a 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.

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 a 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 \geq \$600	1042-S

Example 7A – Representing NU at conference: A 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 a 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 allowance to cover education expenses of a student including a potential stipend that is typically merit based. A fellowship is commonly related to research or study awarded from campus departmental units. Similar to a scholarship, payments **cannot** represent payment for services or wages, i.e., payment for teaching or other services required as a condition of receipt of monetary award.

As noted above, 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>

If scholarship/fellowship payments are used for qualified educational expenses, they may be excluded from the recipient's income. Amounts used for non-qualified educational expenses are taxable to the student. Scholarship/Fellowship payments to an NRA student made in excess of qualified educational expenses charged by NU are reported on a Form 1042-S.

Stipends paid under the National Research Service Award (NRSA) program sponsored by the National Institute of Health (NIH), the National Health Service Corps Scholarship Program, or the Armed Forces Health Professions Scholarship and Financial Assistance Program are considered scholarship/fellowship payments that are taxable income to the extent they are not used for qualified educational expenses. There are no NU reporting requirements to the IRS for a US Taxpayer student and reporting for NRA students is made on a 1042-S.

Payment Type	Payment System	NU Reporting to US Taxpayer Student	NU Reporting to Nonresident Alien (NRA) Student
Scholarship for NU Student	Student Finance	None	1042-S
Scholarship for NU Student	Payroll	None	1042-S
Scholarship for Non-NU Student	P2P	None	1042-S

Example 8A – Graduate Student: A graduate student receives the Presidential Fellowship for \$24,000. The student will not perform services (teaching, research, or other services) in exchange for the fellowship/scholarship. Since these are not wages, there is no reporting to the student, or the IRS, by NU regarding the total fellowship/scholarship⁴.

Example 8B – Research Fellowship Award: A student receives a fellowship award of \$2,500 from a campus fund (FUSE, GRACA, URFP, SSRP, etc.) to conduct research. The student uses the funds as instructed to buy project materials, supplies, operating expenses, travel, and data collection. The student will not perform services in exchange for the fellowship, and the research project grants no credit hours toward graduation. There is no reporting to the student, or the IRS except on a Form 1098-T, by NU regarding the total fellowship, although the payment may be subject to tax for the student. The student will be paid through P2P.

Example 8C – Research Fellowship Award for Housing & Transportation: A student receives a fellowship award of \$1,200 from a campus program (SHEP, etc.) to use for housing and transportation while participating in a six-week research program. The student will not perform services in exchange for the fellowship, and the research project grants no credit hours toward graduation. There is no reporting to the student, or the IRS, by NU regarding the total fellowship, although the payment may be subject to tax for the student. The student will be paid through P2P.

Example 8D – Health Insurance Premiums: Payments of health insurance premiums by NU for undergraduate and graduate students who are not eligible for insurance as an employee are considered scholarship payments. The payments are not made to the student, but these payments are made directly to the NU health plan through the student account. 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.

Example 8E – Travel Scholarship for Education: A student participating in a 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

⁴ The scholarship would get reported on the form 1098-T. As noted above, please see <https://nebraska.edu/offices-policies/business-finance/tax-services/student-tax>.

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 towards graduation. The professor that connected the student with the opportunity would like to provide a source of money to assist the student in covering personal costs related to the internship (e.g., housing, transportation, etc.) The student will not perform any services for NU and the payment from NU is considered a scholarship/fellowship that is paid through Student Finance. There is no reporting to the student, or the IRS, by NU regarding the total scholarship. In the event, the internship is structured to earn class credit and tuition is charged for the credit, it is possible that the scholarship/fellowship from NU will be used to pay for a qualified educational expense, and consequently will not be subject to tax. However, the student will need to determine whether the scholarship/fellowship payment, stipend or allowance is subject to tax based on the student’s specific facts. *For Internal NU Internships see [Example 9a – Internship at NU and Example 9b – NU internship for Experiential Learning](#).*

Example 8H – Research Fellowship Award with Research Award & Housing: A student receives a fellowship award of \$3,000 from a campus program (ex. NASA) for an individual research project and \$7,500 for housing and personal expenses. The student will not perform services in exchange for the fellowship, and the research project grants no credit hours toward graduation. There is no reporting to the student, or the IRS, by NU regarding the total fellowship, although the payment may be subject to tax for the student.

Example 8I – Graduate Student NSF award: A graduate student receives a fellowship from the National Science Foundation for Graduate Research Fellowship (GRFP). The student will not perform services (teaching, research, or other services) in exchange for the fellowship/scholarship. There is no reporting to the student, or the IRS, by NU regarding the total fellowship, although the payment may be subject to tax for the student.

9. Internships

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.

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

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

Example 9B – NU Internship for Experiential Learning Scholarship: A student participates in an internship experiential learning opportunity within a NU department that grants no credit hours towards graduation. The student is working under the direction of a NU faculty member. The student is paid wages on an hourly basis. The student, and the IRS, receive a Form W-2.

Example 9C – External Internship with Wages from NU: A student performs services for an outside organization, but the external employer doesn't have the resources to provide payroll services to the student. The external employer has requested that NU provide payment to the student with an equivalent reimbursement (including workers comp., unemployment ins., etc.) from the external employer to NU monthly. 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.

Example 9D – External Internship Post-Graduation with Wages from NU: A student athlete participates in a post-graduation internship program. The athlete accepts an unpaid internship with an external organization. Through the program, NU supplements the athlete's compensation, as they were unable to participate in an internship while enrolled at NU due to their commitments as a student-athlete. 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.

10. Student Leaders with Job Classifications

Student leaders are generally students interested in pursuing an activity to further their learning experiences in developing leadership skills. Students filling leadership roles that have an HR job classification (e.g., Resident Assistant, 4-H STEM CARES Leader, etc.) may be considered employees of NU for IRS purposes, but not for Fair Labor Standards Act (FLSA) purposes. When the payment relates to services provided by the student, even when the payment is not commensurate with the efforts expended, there is no impact on financial aid packages, and Student Finance does not need to be informed of payments.

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

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 Leader will coordinate a small online community of high school-aged youth that will instruct elementary students on different STEM related topics. The student will receive an hourly wage for a ten-week program. 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.

11. Royalty Payments

Students, particularly graduate students, may be eligible to receive royalty payments resulting from the development and marketing of intellectual property rights. All royalty payments to students should be processed through P2P.

Payment Type	Payment System	NU Reporting to US Taxpayer Student	NU Reporting to Nonresident Alien (NRA) Student
Royalty	P2P	1099-MISC if \geq \$10	1042-S

CONTACTS

NU Tax Department

Contact: tax@nebraska.edu

Website: <https://nebraska.edu/offices-policies/business-finance/tax-services>

Student Finance:

UNL Office of Scholarship & Financial Aid and Student Accounts: huskerhub@unl.edu

UNO Office of Financial Support & Scholarships: unofinaid@unomaha.edu

Student Accounts: unocsa@unomaha.edu

UNK Office of Financial Aid: finaid1@unk.edu

Student Accounts: unkfinance@unk.edu

UNMC Division of Student Success: studentsuccess@unmc.edu

P2P (previously Accounts Payable):

Contact: p2p@nebraska.edu

Website: <https://nebraska.edu/offices-policies/business-finance/procure-to-pay>

Payroll:

UNL Payroll Services: payroll@unl.edu

UNO Payroll Services: unopayroll@unomaha.edu

UNK: [Contact Human Resources Office](#)

UNMC Payroll Services: unmcpayroll@unmc.edu