Payment is to be made to (or on behalf of) a student. Is the payment for:

(a) Past, present, or future employment services?

Yes, Is the payment for:

Yes, (a) Past, present, or future employment services?

Yes, An award? SEE NOTE 5.

Yes, Is the award considered a stipend, NOTE 1, or prize/award, NOTE 2?

Yes, Treat as University Business Expense. Process reimbursement thru Accounts Payable

Yes, Is the student employed by USC? (Addl pay not currently available for students).

Yes, Does any part of the scholarship or fellowship grant represent payment for teaching or other services required as a condition for receiving the funds? (Addl pay not currently available for students).

Yes, Treat as Miscellaneous Income, complete Payment Request, and send to Accounts Payable for processing

No, Is the award considered a scholarship, NOTE 3, or fellowship grant, NOTE 4?

Yes, Non-reportable, non-taxable

Yes, Payroll reports on W-2 or 1042-S

No, Reimburse student for expenses?

Yes, Was expense for benefit of department and student required to submit receipt?

Yes, Treat as University Business Expense. Process reimbursement thru Accounts Payable

Yes, Is the individual a USC student (currently enrolled at USC or will be enrolled in the upcoming semester/term)?

Yes, Treat as Financial Aid and payment must be processed by Office of Financial Aid (OFA)

No, Was expense for student’s degree completion (e.g., dissertation research) or personal in nature?

Yes, Support a student’s educational pursuits or paid because of enrollment in post-secondary education?

Yes, Please contact Controller’s Office to discuss nature of the payment being made and how it should be processed.

No, Is the award considered a stipend, NOTE 1, or prize/award, NOTE 2?

No, Is the student employed by USC? (Addl pay not currently available for students).

No, Does any part of the scholarship or fellowship grant represent payment for teaching or other services required as a condition for receiving the funds? (Addl pay not currently available for students).

No, Treat as Miscellaneous Income, complete Payment Request, and send to Accounts Payable for processing

No, Non-reportable; non-taxable

No, Payroll reports on 1099MISC, 1099NEC, or 1042-S.

No, Was expense for student’s degree completion (e.g., dissertation research) or personal in nature?

No, Support a student’s educational pursuits or paid because of enrollment in post-secondary education?

No, Please contact Controller’s Office to discuss nature of the payment being made and how it should be processed.
**NOTE 1:** A Stipend, generally, is used as a virtual catch-all category for a variety of payments but often takes the form of a subsistence allowance given to students to help defray living expenses during the educational or training experience. Departments must assess the purpose of the payment to determine how it will be treated (i.e., for academic pursuit of the individual or compensation for services rendered).

**NOTE 2:** Prizes and awards are defined as “financial support provided in recognition of special skills, achievements, performance, competition, contest or other criteria”. Payments may be used for any purpose; they are not limited to educational expenses. Prizes and awards are considered taxable income to the recipient. *Note: If the prize or award won by the student has to be used for educational expenses, the prize or award should be processed through the Office of Financial Aid. Please see the guidelines under Scholarships or Fellowship Grants.*

**NOTE 3:** A scholarship is generally an amount paid or allowed to, or for the benefit of, a student (whether an undergraduate or a graduate) at an educational institution to aid in the pursuit of his or her studies. Recipients must not be required to perform past, present, or future services for the grantor or the University in charge of administering the award. Payments or winnings won in a contest are considered scholarships if any of the following conditions apply: (a) recipient is required to use the disbursement for educational purposes; (b) recipient has to be a student to win the prize; or (c) the contest is related to the student's university courses or degree completion.

**NOTE 4:** A fellowship grant is generally an amount paid for the benefit of an individual to aid in the pursuit of study or research. To qualify as a fellowship, the payment must be a "no strings attached" educational grant with no requirement on the recipient's part to perform substantial services. If the University, however, will receive more than incidental benefit (i.e., the recipient must work in order to receive the fellowship), the payments are compensation for services performed that are subject to applicable employment taxes and will be reported on Form W-2 at the end of the calendar year. If, however, the grant's purpose is to achieve a specific objective - i.e., produce a report or product, or to improve or enhance a literary, artistic, musical, scientific, teaching, or similar capacity, skill, or talent of the grantee then the grant is non-taxable.

**NOTE 5:** If money was awarded to the department and then the department distributes it as a reimbursement to student, answer no to award question.

**RESOURCE INFORMATION:**
*Depending on how your research funds are structured, your taxation will vary.* (taxesforexpats.com)