



# Student Payments Accounting Guide

Last Updated: March 12, 2019

Prepared by: Jay Hanson, Student Financial Services

Joe Lance, Enrollment Services

## 1. Purpose of This Guide

Brigham Young University (BYU) makes a wide variety of payments to or on behalf of its students. Many of these payments are subject to various federal financial aid, employment and income tax regulations. This document provides guidance to ensure compliance with these regulations and is applicable to all BYU colleges, departments and organizations.

In addition to direct student payments, BYU colleges or departments may on occasion make other academic related payments to individuals who are 1) not BYU students, 2) other institutions, 3) vendors or 4) others. This guide also assists BYU departments to correctly account for those transactions.

## 2. Regulatory Background Information

Virtually all payments to BYU students, both directly or as credits to the student's financial account, fall into one of the following categories and are subject to the related federal regulations:

- **Wages** – All payments to students for any services performed, whether on an hourly basis or by contract, constitute wages and are subject to all relevant employment taxes and other workplace regulations.
- **Prizes** – Prizes represent payments to students and others for participation in contests which are generally open to a wide variety of individuals and are not related to duties performed or as direct support for academic pursuits. Under certain circumstances such prizes are reported to the IRS as taxable income.
- **Reimbursable BYU business expenses** – Under limited circumstances, students may be reimbursed for legitimate BYU business expenses. These expenses are not reportable as income or as student financial aid, and are subject to very narrow rules.
- **Student Financial Assistance** – Any payment to a student, with some very limited exceptions discussed later in this document, that does not meet the definitions above for wages, prizes or reimbursable BYU business expenses are considered student financial assistance and are subject to related Federal regulations.

Procedural requirements for each of these areas are complex. BYU has developed various payment systems to ensure that all legal requirements are met. Failure to use the appropriate payment system subjects BYU and our students to substantial risk. The remainder of this document provides additional guidance to assist departments to identify the appropriate systems to use when making student payments. This guidance includes reference to specific regulations, BYU Policies, informative examples, and some procedural helps.



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### 3. Using this Guide

The remainder of this Guide further defines each payment category and provides specific examples of transactions frequently encountered at BYU. The Guide also indicates which BYU payment systems should be used to process the transaction. Where applicable the Guide also indicates how the transaction will be reported for tax purposes. This guide may change frequently as we identify additional examples of creative ways to support our students.

At the end of this guide are a number of appendices covering topics that require additional explanation.

### 4. Wages

**Systems used to process payments:** Payroll, supported by Y-Time and Human Resources

**Tax Reporting:** IRS Form W-2

When undergraduate students work at BYU they are most always considered non-exempt hourly employees and use the Y-Time time keeping system to log their hours. In a few narrowly defined situations students may work under contract where their contracted pay is not directly related to hours worked. Graduate students are also considered non-exempt and may work on an hourly basis or under contract. Graduate students often receive a scholarship in addition to their wage.

It is important that faculty and other BYU administrators, who manage both undergraduate and graduate student employees, identify separately wages that are payments for services and scholarships which must be provided without any strings attached. IRS Publication 525 is quite specific in this regard, stating as follows:

**“Payment for services** – Generally, you cannot exclude from your gross income the part of any scholarship or fellowship that represents payment for teaching, research, or other services required as a condition for receiving the scholarship. This applies even if all candidates for a degree must perform the services to receive the degree.”

When hiring student employees, who will also be receiving a scholarship relative to their position, the department should carefully identify any expectation for services and develop a reasonable means to identify services rendered separately from the scholarship award.

Examples of Payroll Payments	Notes
Student wages paid hourly using Y-Time	Applies to all student employees
Student wages paid by contract	Applies to both graduate and undergraduate contract student employees
Supplemental student wages	Used whenever a contract student employee is also to be contracted for 1



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Examples of Payroll Payments	Notes
	time events such as playing piano for an event
Internship payments to a BYU student working for BYU	Work performed at BYU, for the benefit of the University, including a Department/college intern, student hired to perform work related to their major, to gain experience, to prepare them for obtaining permanent employment
Teacher's Assistants & Research Assistants	Whether paid hourly or under contract payments for such services are considered wages and need to be processed as payroll.

### 5. Prizes

**Systems used to process payments:** Fast Track, AP Upload, YExpense

**Tax Reporting:** IRS Form 1099

Prizes represent payments to students and others for participation in contests which are generally open to a wide variety of individuals and are not related to duties performed or as direct support for academic pursuits. Under certain circumstances such prizes are reported to the IRS as taxable income.

Examples of Prize Payments	Notes
Door prize	Gift given to encourage student attendance at an event
Talent prize awarded by judging and open to wide audience (i.e. all students, students & community, etc.)	Art, music, poetry, entrepreneurship, etc.
3 Minute Dissertation	

Note – In most cases it should be readily apparent if a payment is a prize or a scholarship. However, there are some challenging grey areas. Consult with the BYU Tax Office for questions regarding the appropriate treatment.

### 6. Reimbursable Business Expenses

**Systems used to process payments:** Fast Track, AP Upload, Y-Expense

**Tax Reporting:** None

On occasion students incur costs relating to a BYU business activity. Students may be reimbursed for such costs when the activity is clearly and predominantly for the benefit of BYU rather than for the personal academic pursuits of the student. For example, if a student helps a professor make a



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presentation at a conference, either as a co-speaker or in another assistance capacity, and such assistance was necessary for the efficient and meaningful presentation, the travel and lodging costs incurred by the student would constitute a valid, reimbursable business expense. The student, or responsible faculty member, would be required to meet all other BYU requirements for the timely submission of a travel expense report.

Examples of Reimbursable Business Expenses	Notes
BYU business travel	Travel reimbursements to, or payments on behalf of, students primarily for the benefit of BYU, not the student
Competition Travel	Reimbursements to, or payments on behalf of, a student who is traveling for athletic, scholastic or artistic competition.
Other business expense reimbursement	Reimbursement of any cost, paid in advance by the student, but qualifying and approved as a BYU business expense

## 7. Student Financial Assistance (SFA)

**Systems used to process payments:** Financial Aid, supported by Student Finance

**Tax Reporting:** IRS Form 1098T

BYU participates in the Pell Grant and Ford Direct Loan Federal student aid programs. These programs have participation benefit limits which are based in part on student and parent income, and on other forms of financial assistance. Although not all BYU students will participate in one of these Federal programs, all payments of student financial assistance must be made through BYU’s Financial Aid systems to ensure BYU’s ability to apply the benefit limits and reporting requirements for those who do participate.

### What is Student Financial Assistance?

In order to clearly understand what constitutes SFA, BYU has adopted the following two definitions.

**Who is a BYU student (for purposes of SFA)?** – A BYU student is any individual who has a current or future AIM Registration Eligibility.

**What constitutes Student Financial Assistance?** – Student Financial Assistance is any amount paid to a BYU student (using definition above) which is not a payment for wages, reimbursement of a legitimate BYU business expense, or a prize (as defined earlier in this document).

The Department of Education defines SFA quite broadly as payments given to a student “because of postsecondary enrollment... if it is not considered wages for employment.” In other words, any amount of assistance from BYU that is offered contingent on the student’s enrollment in our programs and that is not considered employment must be considered as SFA when calculating eligibility for other Federal student aid programs. As noted above, BYU has



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also carved prizes and reimbursable BYU business expenses out of this definition of SFA based on other applicable regulations.

There are many other terms used in academia, including at BYU, to describe Student Financial Assistance. Some of those terms are defined below but such definitions are not universally used and are often ambiguous or synonymous. The important thing is that BYU considers all of these to be Student Financial Assistance if they meet the definitions above.

- **Scholarship** - SFA provided to a student to support tuition and other costs of education which are often, but not always, awarded on the basis of academic, athletic, artistic or other merit.
- **Student Aid** – SFA provided to a student to support tuition and other costs of education which are often, but not always, awarded on the basis of financial need.
- **Grant or Fellowship** – SFA generally provided to a student to support tuition and other costs for a specific course of study, area of student research, or other academic or philanthropic purpose. Note that grants and fellowships are also given to faculty, but such faculty grants or fellowships are not considered SFA unless the faculty is also a student (usually a graduate student).
- **Internship** – When compensated by BYU for duties performed for BYU, Internships are considered wages. However, students are sometimes provided with SFA to help cover living and/or travel expenses when engaged in an internship away from BYU. Some BYU colleges also refer to these as externships. Payments made to BYU students to assist with travel and/or living expenses while engaged in a non-BYU employment internship or externship is considered SFA.
- **Leadership Awards** – SFA provided to a student to support tuition and other costs of education which are awarded for participation in campus leadership assignments.

### Scholarship Requirements

Individual scholarships may have unique requirements such as field of study, minimum grade point average, etc. However, there are a few things that must be remembered when awarding scholarships.

- Scholarships must be awarded without strings attached. There can be no expectation of work or other future performance of services.
- Some scholarships are very specific regarding what types of expenses or activities are covered. However, there is a general assumption that awards made by BYU are to cover the general costs of a BYU education. The award need not specify that the proceeds are “only to be used for academic purposes” to be considered SFA.



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### Examples of Student Financial Assistance Payments

Description	Notes
<b>Scholarships or Student Aid</b> – amounts paid to a BYU Student where funds originate from BYU’s appropriated budget, are generated by a BYU program, or come from donated sources.	Donated funds often have general restrictions as to scholarship requirements, but BYU selects the actual recipients.
<b>Scholarships or Student Aid</b> - amounts paid to a BYU Student where funds originated from an outside source.	Funds are provided by an outside source which specifies the general requirements for the award but BYU selects actual recipients.
<b>Scholarship for studying at another Institution</b> – amounts paid to a BYU student to take a course at another institution.	
<b>Off Campus Scholarships</b> - amounts paid to a BYU Student originating from an external source where the external source also selects the award recipient.	
<b>Leadership Award</b> – amounts paid to a BYU Student for leadership provided or exemplified in a BYU related organization, or to specific officers of a club or group.	No expectation for work performed to receive the award, and the award cannot be withdrawn if the student vacates the position.
<b>Study/Travel subsidy grant</b> – amounts paid to a BYU Student to help cover living and/or program expenses while participating in either a BYU or NON-BYU educational or experiential activity.	
<b>Internship/Externship</b> - Payments to a BYU student to cover travel and/or living expenses while performing an internship/externship at a NON-BYU institution, business, government office, etc.	
<b>Exam Fee subsidy</b> – Payments to a BYU student to cover the cost of specialized qualification or certification exams or for prep class costs related to the exam.	

### Other SFA Issues

**Application of awards to student charges** – Awards of SFA will generally pay any outstanding student charges and the balance will then be automatically refunded to the student. On occasion it is preferable that the award always be refunded to the student even when outstanding charges exist. This can be accomplished but is a permanent attribute of the particular scholarship being awarded. Students should always be advised that the award is being handled in this fashion so that don’t think that their outstanding charges have been paid. Indicate this request when setting up scholarship codes with the Financial Aid Office.



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### 8. Other Academic Payments

In addition to payments previously described, BYU makes various other academic related payments to other institutions, individuals who are not BYU Students (as previously defined), and in relatively rare circumstances to BYU Students. The following table identifies some of these transactions and provides notes relating to appropriate accounting treatment. See the next section **9. Which Account Codes to Use** for additional guidance regarding the appropriate account code for each type of transaction.

Examples of Other Payments to Students	Notes
<p><b>529 Plans</b> – These payments represent pass-through payments from a College Savings Plan.</p>	<p>These plans, legally known as “qualified tuition plans”, are sponsored by states and state agencies and are authorized by Section 529 of the Internal Revenue Code. BYU treats these as payments to a student account and are not tax reported.</p>
<p><b>Group Projects</b> – On occasion a group of students receive department or donated funds to fund approved philanthropic, entrepreneurial, or other group activity. In the past these funds were often distributed to a student “chairperson” and the amount was reported on that student’s 1099. This treatment is inappropriate as the funds were never intended to be “income” for the individual student. Requiring the student to also track expenses related to the activity which were then to be reported as costs on the student’s Schedule C, was quite burdensome.</p>	<p>Funds for group projects should be managed by the sponsoring academic unit in one or more operating units. This will allow the students, with faculty supervision, to use purchasing cards and other BYU payment vehicles tools.</p>

Examples of Other Payments to Non-Students	Notes
<p><b>Financial Support for Non-BYU Student</b> – On occasion a BYU Department may wish to provide financial assistance to a Non-BYU student who is participating in a BYU hosted event such as a summer language program, math institute, STEM program, etc.</p>	<p>These awards are not considered SFA. They will generally be processed through Fast Track and will require that a form W-9 be obtained. Depending on the amount, these awards will also be reported on form 1099.</p>
<p><b>Institution Awards</b> – BYU Colleges may wish to award funds to other institutions with programs of interest to BYU. Such awards may be used as program support or for scholarships in the other institutions programs.</p>	<p>These awards are department expenses and are not considered SFA. They should generally be processed using Fast Track or AP Upload. If funds are used for scholarships, the other Institution is responsible for</p>



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	issuing Form 1098T to the individual students.
<b>BYU Tuition Benefit at other CES Institutions</b> – The children of full-time BYU employees are eligible for a tuition benefit at the other CES institutions.	These awards are processed by the Human Resource Department and payments are made directly to the other institution.
<b>Honorariums</b> – Payments to a visiting professor, student or other individual to give a speech, musical performance, etc.	<p>If the payee is a Non-BYU student employee the payment should be processed using Fast Track or AP Upload. A Form W-9 will be required. Depending on the amount, these payments will be reported on form 1099.</p> <p>If the payee is a BYU student, who is also employed at BYU, the payment should be processed via Payroll using the <b><i>Part-Time Request for Approval of Supplemental Compensation</i></b> form and is subject to the normal work week hour limitations.</p>

### 9. Which Account Codes to Use

**Student Financial Assistance** - The following account codes relate to SFA and may only be processed through the Financial Aid and Student Finance systems (with a few very limited exceptions). Generally, BYU administration is not concerned which account is used but recommends that account 6300 – Scholarships be used unless there is a departmental need for greater granularity. Accounts with little usage will be eliminated in the future:

- 6300 – Scholarships
- 6305 – Fellowship
- 6310 – Grant
- 6319 – Student Aid (reclass)
- 6326 - Leadership Award
- 6330 – Employee Benefit Award (used only by Human Resources)
- 6370 – Tuition Assistance – Non BYU Student (limited usage by permission only)
- 6390 – Other Student Aid

**Other Academic Payments** – Wages and reimbursement of business expenses should continue to be accounted for as usual. Account 6403-Other Academic Payments has been established and may be used for Group Projects, Financial Support for Non-BYU students, Institution awards, Honorariums unless another existing account appears more appropriate.



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### 10. Who to contact regarding Student and Academic Payments

Questions regarding	Contact
Wages	Human Resources – 2-3861 Payroll – 2-8186
Prizes	Preston Back, Tax Office 2-8098
Reimbursable Business Expenses	Your University Accountant
Student Financial Assistance	Lesa Withers, Financial Aid 2-2650
Other Payments to Non-Students	Your University Accountant
Research Accounting	Kathleen Rugg, Research Acctg 2-8025
General Questions regarding Student Payments	Jay Hanson, Financial Services 2-2694 Joe Lance, SAAS 2-6426



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**Appendices** – The following appendices provide additional guidance regarding topics, which require additional explanation beyond the general information provided in the main body of this Student Payments Accounting Guide

Appendix A – Experiential Learning Awards



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## Appendix A – Experiential Learning Awards

One of the hallmarks of a BYU Education are the mentored, hands-on experiences that students can have related to both course work and student employment experiences. The University is providing increased funding, in the form of “experiential learning grants” to academic programs specifically to foster such experiences. The university provides broad guidelines regarding the use of these funds but gives significant latitude to colleges and departments regarding program specifics.

In many cases the experiential awards are given directly to students in the form of scholarships. In this case these awards are treated as SFA as identified earlier in this guide. However, funds can also be used by departments for a wide range of purposes that expand the “hands-on experience” of their programs. Such uses could include the purchase of equipment, expenses of field trips, fees for guest speakers, and many others. These expenses are generally paid directly by the college. Whether these experiences occur on the BYU campus, or elsewhere they “extend the classroom experience” and benefit all participants in the class or program and are treated as departmental expenses rather than SFA for individual students.

The determination of whether a particular payment is SFA or a department expense can be challenging due to the high level of creativity in designing such programs. There is rarely a single determining factor for the appropriate treatment. Therefore, a combination of factors need to be considered. The following rubric is provided to help Controllers determine the appropriate treatment.

### Experiential Awards/Payments Accounting Rubric

Conditions to Consider	This activity or payment sounds most like:			
	Individual Scholarship	Extension of the Classroom (Bus Exp)	Wages	Prize
All members of a particular course participate in the activity		X		
The funds are used for a particular student for a unique activity	X			
The funds will be used to enhance a particular course or program rather than an individual student		X		
The funds will be used to purchase equipment, software or other required classroom/teaching materials		X		
The funds will be used to purchase equipment or otherwise assist students to participate in sponsored or non-sponsored research	X	X		
The funds will be provided to a specific student to engage in a student identified research or other academic related project	X			
The funds will be given to one or more specific students who will control any related spending relating to the purchase of supplies or provide philanthropic assistance		X		



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Conditions to Consider	This activity or payment sounds most like:			
	Individual Scholarship	Extension of the Classroom (Bus Exp)	Wages	Prize
Some or all of the funds will be used by an individual student to purchase project related supplies	X	X		
The funds will be used to pay for an individual student's travel for academic purposes	X			
The funds subsidize Study Abroad for individual Student	X			
The funds pay for student internships			X	
The funds will be used to award winners of academic related competitions that do not relate to overall class performance				X
The funds will be used to award top performers in a class/program for an academic period	X			
The funds will be used to pay a student for research or teaching activities when BYU would have otherwise paid a non-student employee			X	
The funds be used to pay a student for research or teaching activities when BYU would NOT have paid a non-student employee to perform the same tasks	X			
The funds will be used to pay for housing	X	X (ltd exceptions)		
The activity is required of all students in a particular course, and the costs are paid for all students in that course		X		
The activity is required of all students in a particular course, but the costs are only paid for selected students in that course	X			
The activity is optional	X			
The activity primarily benefits BYU as an institution		X		
The activity primarily benefits the individual student and their academic pursuits	X			