



The College of Idaho

Policy Name: Student Taxation Withholding and Reporting

Originator: Controller, Kim Napoli

Approved By: Vice President Finance and Administration, Richard Erne

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Related Policies (if any): See IRS Tax Reference; Business Travel, Entertainment and Expense Reimbursement Policy, BO-02

Summary/Purpose: Pursuant to federal and state regulations, it is the intent of the College of Idaho to report properly all taxable income according to applicable tax laws. For students, the reporting of taxable income may be the result of income received from jobs on campus or other financial support. The College is required to identify and report taxable income earned by its students, and in some cases is required to collect the associated tax at the time of payment. This policy is intended to outline the tax implications for common student-related activities and to provide campus guidance.

Policy Guidelines

Disclaimer

This document is not tax advice. The information presented should not be interpreted as such. The College of Idaho (COI) cannot provide tax advice and does not offer tax preparation or consulting services. Taxes and tax filings are the responsibility of the individual. Individual tax results are unique to personal facts and circumstances. Furthermore, tax law is subject to continual change. As such, students and taxpayers are encouraged to contact a tax professional to answer their questions.

Defining Scholarships

Qualified scholarship vs. Non-qualified scholarship

- Per IRS Publication 970, a scholarship is generally an amount paid or allowed to, or for the benefit of, a student at an educational institution to aid in the pursuit of his or her studies. A scholarship or fellowship grant is tax free only to the extent:

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- It doesn't exceed your qualified education expenses;
 - It isn't designated or earmarked for other purposes (such as room and board), and doesn't require (by its terms) that it can't be used for qualified education expenses; and
 - It doesn't represent payment for teaching, research, or other services required as a condition for receiving the scholarship.
- Qualified education expenses (for purposes of tax-free scholarships) include:
 - Tuition and fees required to enroll at or attend an eligible educational institution; and
 - Course-related expenses, such as fees, books, supplies, and equipment that are required for the courses at the eligible educational institution. These items must be required of all students in your course of instruction.
 - Expenses that don't qualify (Non-qualified scholarships):
 - Room and board
 - Travel
 - Research
 - Clerical help
 - Insurance
 - Medical expenses
 - Transportation
 - Similar personal, living, or family expenses
 - Equipment or other expenses that aren't required for enrollment in or attendance at the College

Taxable Income

All students are subject to tax reporting, regardless of whether the individual is a U.S. citizen or foreign/non-U.S. resident. However for federal taxation, the status of U.S. citizenship affects the type of tax reports a student is issued as well as the process by which tax payments are remitted.

Below are examples of student-related activity generally considered taxable income as these are non-qualifying expenses:

- Gross salary for work performed on campus
- Gipson Venture Fund award
- Heritage Venture Fund award
- Free housing support
- Free meal support
- Free medical support
- Transportation support
- Domestic travel support
- Travel abroad financial support
- The portion of scholarships that exceeds the cost of qualified education expenses.
- Awards covering external program/tuition costs (i.e., non-COI's tuition/fee's)
- Payments made directly to students that are more personal in nature (e.g., food, living expenses, etc.); the student is the primary benefactor.

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- Other payments (e.g., gift cards, accounts payable payments, when not considered a COI business expense reimbursement, etc.)

Below are examples of support that are typically not considered taxable income:

- Scholarships (unless exceeds the cost of COI tuition/fees or other qualified education expenses)
- COI business expense reimbursement

U.S. Citizens

- Taxable income that is derived from working a campus job will be reported on a W-2 form annually. The W-2 reporting applies to all forms of employee compensation, such as income stipends, imputed income (i.e., free housing/meal support), fringe benefits, etc.
- Tax withholdings are withheld from campus job gross earnings, dependent on the tax withholding elections indicated by the student. These elections can be changed during the year by providing Human Resources (HR) with an updated W-4 form which is available from HR.
- Taxable income received that is not in connection with a job such as receipt of a Gipson Venture Fund award or other financial support provided to enable a student to participate in a travel abroad experience will be reported on a form 1099 MISC.
- Scholarships received will be reported on a 1098-T form. These are generally not taxable, unless the total exceeds the qualified education expenses (i.e., COI tuition/fees or books). Note that the College can only issue scholarships during Fall and Spring Terms.
- For federal returns, students may be required by law to file and pay taxes to the federal government. This will depend on their individual facts and circumstances.
- For state returns, students may be required by law to file and pay taxes to the state government. This will depend on their individual facts and circumstances.
- Payments made to pay for a service performed (external party/non-employee) will be reported on a 1099 NEC.

Foreign/Non-U.S. Residents

- Taxable income that is derived from working a campus job will be reported on a W-2 form annually. The W-2 reporting applies to all forms of employee compensation, such as income stipends, imputed income (e.g., housing/meal support), fringe benefits, etc.
- 1042-S form will be prepared for all Foreign/Non-U.S. Resident students to report U.S. sourced income. This form includes:
 - Other taxable income received. For example, receipt of a Gipson Venture Fund award or financial support to participate in a travel abroad experience.
 - Any taxable portion of scholarships received. Note that the College can only issue scholarships during Fall and Spring Terms.

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- Student tax liability is dependent on whether or not a tax treaty exists for the student's country of citizenship as well as the student's individual facts and circumstances. Generally, scholarships are not taxable, unless the total exceeds the qualified education expenses (i.e., COI tuition/fees and books).
 - It is strongly recommended that foreign/non-U.S. resident students complete their profile in the College-provided tax software tool (e.g., Sprintax) in order to confirm the correct tax rate is assessed. In many cases, students can reduce their tax liability by completing the profile.
 - In addition to receive a non-employee payment from the College, foreign/non-U.S. resident students must have a current e-signed [W-8BEN](#) on file using the College provided tax software (e.g., Sprintax).
- Tax withholdings will be withheld from campus job earnings, dependent on the tax withholding elections indicated by the student. These elections can be changed during the year by providing Human Resources (HR) with an updated W-4 form which is available from HR.
- For federal returns, students may be required by law to file and pay taxes. This will depend on their individual facts and circumstances. Note that consistent with tax filing regulations, the College is required to withhold income tax and remit these tax payments to the federal government..
- For state returns, students may be required by law to file and pay taxes to the state government. This will depend on their individual facts and circumstances.

College of Idaho Business Expenses

- Business reimbursement must comply with IRS Accountable Plan rules in order for expense reimbursements to be considered non-taxable income to individuals. The requirements of the accountable plan require that the payee (1) establish the business purpose and connection of the expenses; (2) substantiate the expenses claimed to the payer within a reasonable period of time; and (3) return any amounts to the payer which are over and above the substantiated business expenses within a reasonable period of time.
 - In order to ensure compliance with the IRS guidelines,
 - Expenses to be substantiated and documented (See Business Travel, Entertainment and Reimbursement Policy).
 - All expense reimbursement requests must be submitted within 30 days of incurring or paying an expense.
 - COI business expenses are those costs in which the expense is necessary for College operations; the College is the primary benefactor related to the expense. A student may be reimbursed for this type of expense. This is not considered taxable income.

Costs that are more personal in nature are not a COI business expense. Examples include providing transportation support to a student to get to an internship program, providing a food gift certificate or food per diem, paying for a student's medical bill. These types of expenses will be reported as taxable income to the student.

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Incentive Activities

When an activity requires a participation incentive, the use of low-cost tangible (non-cash) items should be used. Examples include COI logo'd t-shirts, folders, pens/pencils or hospitality such as providing a snack. Tax reporting does not apply to these infrequently occurring, nominal costs.

Tangible (non-cash) Prizes/Awards

Tangible prizes/awards will be reported when the individual value is \$75.00 or more (including tax and shipping costs) and/or when cumulative value in a calendar year reaches \$600. For example, if a student wins a \$200 iPad, the value of the iPad is subject to tax reporting. If the award is connected with employment, the reporting tool is a W-2. For student related activities, the reporting will be either a 1099 MISC (U.S. Citizens) or 1042-S (Foreign/Non-U.S. Residents). For Foreign/Non-U.S. Residents, tax will be added to the student's account. Students are responsible to pay this personal tax liability.

Cash Equivalent Payments

Gift Cards or Gift Certificates are considered cash equivalent payments by the IRS. As such issuance of gift cards are reported as taxable income. The issuance of gift cards is highly discouraged due to the tax reporting requirements of gift cards and certificates. If appropriate, tangible (non-cash) prize or awards should be considered. If a gift card/certificate is a necessity, the following guidelines must be followed:

- The purchase of gift card/certificates for employees is not allowable.
- Gift cards for unspecified goods such as VISA, MasterCard etc. are not permitted.
- Gift cards or gift certificates that entitle recipients to receive specific goods or services of a specific value:
 - Must be a necessary and appropriate business need that support the mission of the College.
 - Must be issued infrequently. Avoid issuing an individual student multiple gift cards or certificates within a calendar year.
 - Examples of specific goods or services include DoorDash, GrubHub, Albertson's, Walmart and Ross.
- Students who receive gift card or gift certificates will be subject to tax reporting.
- Taxable income will be reported for external parties when cumulative value of prizes/awards and other payments reach \$600 within a calendar year.

All accounts payable payments provided to a student will be reported as taxable income

- For U.S. Citizens, payments are reportable income via a 1099 NEC or 1099 MISC, whenever the cumulative of all payments within a calendar year total \$600 or more; tax does not need to be withheld at time of payment.

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- For Foreign/Non-U.S. Resident students, these types of payments are will be reported as income via 1042-S, regardless of amount; tax must be withheld at time of payment.

An exception is when a student receives a reimbursement (must meet the definition of a College of Idaho business expense); this is not subject to tax reporting.

Tax Reporting Grid

The below grid is a general tax reporting guideline. The College of Idaho will report taxable income following federal and state guidelines based on the information made available.

	U.S. Citizen	Foreign/Non-U.S. Resident	
	Tax Form/Withholding info	Tax Form	Tax withholding info
Campus job/student services	W-2, Taxes withheld (1)	W-2	Taxes withheld (1)
Gipson award (non scholarship portion)	1099 MISC (5)	1042-S	Taxes withheld (2) (6)
Heritage award (non scholarship portion)	1099 MISC (5)	1042-S	Taxes withheld (2) (6)
High Impact Practice awards	1099 MISC (5)	1042-S	Taxes withheld (2) (6)
Transportation, financial support	1099 MISC (5)	1042-S	Taxes withheld (2) (6)
Travel financial support	1099 MISC (5)	1042-S	Taxes withheld (2) (6)
Other awards	1099 MISC (5)	1042-S	Taxes withheld (2) (6)
Trip Fees	1099 MISC (5)	1042-S	Taxes withheld (2) (6)
Free housing	1099 MISC (5)	1042-S	Taxes added to student acct (3) (6)
Free meal	1099 MISC (5)	1042-S	Taxes added to student acct (3) (6)
Free medical	1099 MISC (5)	1042-S	Taxes added to student acct (3) (6)
Transportation, use of vehicle	1099 MISC (5)	1042-S	Taxes added to student acct (3) (6)
Gift Cards	1099 MISC (5)	1042-S	Taxes added to student acct (3) (6)
Tangible award/prize	1099 MISC (5)	1042-S	Taxes added to student acct (3) (4) (6)
Portion of Scholarships/Financial Aid exceeding cost of COI tuition/fees	1098-T	1042-S	Taxes added to student acct (3), unless identified in advance in which case taxes will be withheld.
Scholarships and Financial Aid	1098-T	1042-S	Typically exempt from tax (7)

(1) Tax withholdings will be based on the W-4 submitted by student. Tax withholding will be reflected on the W-2 form.

(2) Taxes are withheld based on current College-provided tax software (e.g., Sprintax) tax rate determination, which is a result of the student profile information. If the student profile has not been completed, taxes will generally be withheld at 30%.

(3) Taxes will be calculated and added to the student account to reimburse the College.

(4) Will be reported if individual value totals \$75 or more and/or if cumulative awards reach \$600 per calendar year.

(5) Will be reported if if cumulative of awards/support reach \$600 per calendar year.

(6) For other income (non scholarship awards), 30% tax is generally applicable.

(7) The portion of scholarships that exceed the cost of qualified education expenses is generally assessed at 14% tax.

Note that for student employees, taxable income reporting will follow employment tax law whenever the tax event is associated with the student's position on campus. If the tax reporting event is related to a student activity, taxable income reporting will follow non-employee reporting guidance.

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Tax Reporting Scenarios

Scenario 1

A student receives free room and board in connection with an RA position on campus.

Determination: No tax reporting consequence. This activity is not subject to tax since it is a necessity to live on campus in order to perform the job duties.

Scenario 2

A student receives free room and board. This student has been hired for a summer job on campus. This student is not an RA.

Determination: Subject to income tax reporting

Scenario 3

The College pays for a student's doctor bill (or other personal expense) on their behalf.

Determination: Subject to income tax reporting

Scenario 4

The College pays for a student's travel and related expenses for an educational experience or volunteer opportunity (i.e., shadowing medical professionals, etc.).

Determination: Subject to income tax reporting

Scenario 5

An external party offers to pay tuition for a student (in part, or full). This is not a scholarship, nor is it a College gift because the monies are directed to a specific student.

Determination: No tax reporting requirement for the College. If an individual makes a check out to the College and requests to pay tuition on behalf of a specified student, this is not a tax reporting event for the College, but may have tax consequences to the student.

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Scenario 6

A donor pays \$10k towards outstanding tuition balance for 10 student account balances (\$1k each). The donor asks the College to determine the recipients. The College selects the student recipients. The check is made out to the College. The College deposits the check into the College account and then posts the payment to the student account.

Determination: This is not a gift; it is treated as a scholarship, which is generally not subject to income tax reporting. However, it will be reported on either a 1098-T (U.S. Citizen) or 1042-S (Foreign/Non-U.S. Resident).

Scenario 7

A student wins an iPad and a weekend vacation.

Determination: Both the iPad and the value of the weekend vacation prize is subject to income tax reporting.

Scenario 8

A student receives either a High Impact Practice or Gipson/Heritage Venture Fund award. The student receives a direct cash payment.

Determination: Subject to income tax reporting

Scenario 9

A student receives either a High Impact Practice or Gipson/Heritage Venture Fund award to assist with paying COI tuition/fee costs. The student receives a check, in which the student signs the check over to the College requesting the payment to be applied to the student account to pay the tuition/fee expense.

Determination: Subject to income tax reporting.

Scenario 10

A scholarship is provided to a student to assist with paying COI tuition/fee costs.

Determination: Generally, not subject to income tax reporting, but is contingent on whether or not the scholarship(s) exceed the cost of qualified education expenses.

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Scenario 11

A student receives either a High Impact Practice or Gipson/Heritage Venture Fund award to assist with paying another organization's tuition/fee costs for a study abroad experience.

Determination: Subject to income tax reporting

Scenario 12

The College pays for air travel and insurance on the behalf of a student (if not reimbursed by a student).

Determination: Subject to income tax reporting

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IRS Tax References

Tax resource information is available on the IRS website. Listed alphabetically, below are some that are pertinent to this policy:

[About Form 1099-MISC, Miscellaneous Income](#)

[About Form W-2, Wage and Tax Statement](#)

[About General Instructions for Certain Information Returns](#)

[Amounts Subject to NRA Withholding and Reporting](#)

[Business Expenses](#)

[De Minimis Fringe Benefits](#)

[Fixed, Determinable, Annual, Periodical \(FDAP\) Income](#)

[Fringe Benefit Guide](#)

[NRA Withholding](#)

[Publication 970 \(2021\), Tax Benefits for Education](#)

[Taxable and Nontaxable Income](#)

[U.S. Tax Guide for Aliens](#)

[What is Taxable and Nontaxable Income?](#)

Core Policy Statements

Business Travel, Entertainment and Expense Reimbursement Policy, BO-02

See IRS Requirements section.

Enforcement

To ensure compliance with federal and state law, any person providing financial assistance to students, as discussed in this policy, must clearly document such assistance and coordinate efforts with the Business Office to ensure proper assessment of student taxation is achieved. Failure to properly disclose student support is subject to disciplinary action and/or termination. Should the College of Idaho incur monetary fines or other incidental expenses (e.g. IRS or other regulatory agency penalty or fines) from noncompliance, the College may recoup these costs from the non-compliant department, school or auxiliary organization.

Exceptions

If you encounter an exception to this policy that cannot be rectified in a reasonable amount of time or with a reasonable amount of resources, then you are required to request an exception to this policy from the Issue Authority.

Issue Authority

This policy is issued by the Controller. The policy is approved by the VP for Finance & Administration for implementation.

Contact Information

Any persons with questions about this policy are able to have their questions and concerns addressed by discussing their questions with their Manager, the designated ISO or the Business Office.

As of December, 2022, the Business Office can be contacted as follows:

- Business Office, general mail box businessoffice@collegeofidaho.edu
- Senior Accountant, Jody Durfey, (208) 459-5268
- Controller, Kim Napoli, (208) 459-5147

Revisions

Rev.	Document No.	Description	Author	Approver	Approval Date
1.0	BO-01	Initial Student Taxation Withholding and Reporting Policy	Kim Napoli	Richard Erne	1/31/2023