

Non-qualified Scholarships, Fellowships, Grants, Participant Cost, Prize/Awards

In most cases, a Foreign National is subject to U.S. tax on its U.S. source income. Most types of U.S. source income received by a foreign person is subject to U.S. tax of 30%. A reduced rate, including exemption, may apply if there is a tax treaty between the foreign person's country of residence and the United States. Contact the Tax Department to determine if a vendor qualifies for a tax treaty exemption.

Payments of scholarships, fellowships, grants, participant cost and prize/awards paid to U.S. citizens and resident aliens are not generally reportable to the IRS and are not generally subject to withholding of tax. However, payments of taxable scholarships, fellowships, and grants to nonresident aliens are generally reportable to the IRS and are generally subject to withholding of U.S. Federal income tax.

Type of Income

PRIZE/AWARD

An award is an amount received primarily in recognition of a special achievement. A prize is the result of entering a contest. In both cases, the grantor does not specifically state how the money should be spent.

For a U.S. Citizen:

- Reference the “**Voucher Workflow Matrix for Scholarships and Tax-Related Payments**” posted on the Finance website <http://www.uh.edu/finance/pages/References.htm> to determine which payments require the Foreign National Information Addendum and tax approval.

For a Nonresident Alien for tax purposes:

- Tax withheld at **30%** without regard to a tax treaty

SCHOLARSHIP/FELLOWSHIP/GRANT

A scholarship, fellowship, or grant is:

- An amount given to an individual to aid in the pursuit of study, training, or research
- Cannot be a payment for services
- Grantor specifically intends money be spent to defray costs of study, training, or research

For a U.S. Citizen:

- Reference the “**Voucher Workflow Matrix for Scholarships and Tax-Related Payments**” posted on the Finance website <http://www.uh.edu/finance/pages/References.htm> to determine which payments require the Foreign National Information Addendum and tax approval.

For a Nonresident Alien for tax purposes:

- If eligible for a tax treaty benefit, then **0%** tax withheld (**Note: U.S. Social Security number required**)
- If not eligible for a tax treaty benefit, and present in the U.S. under an F-1, J-1, M, or Q visa status, payment is subject to **14%** tax withheld
- all other visa status, payment is subject to **30%** tax withheld

PARTICIPANT SUPPORT-STIPENDS

Participants are the recipients of the particular training envisioned by the grant or contract. PI's, researchers, various assistants, trainers or others needed to direct or assist and carry out the project or training are not participants.

For a U.S. Citizen:

- Reference the “**Voucher Workflow Matrix for Scholarships and Tax-Related Payments**” posted on the Finance website <http://www.uh.edu/finance/pages/References.htm> to determine which payments require the Foreign National Information Addendum and tax approval.

For a Nonresident Alien for tax purposes:

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- all other visa status, payment is subject to **30%** tax withheld
- Upload to the voucher the “**Participant Cost for Sponsored Projects Payment Form**” posted on the Division of Research website <http://www.uh.edu/research/sponsored-projects/proc-pol-guide/participant-support/>

Payment Instructions for the Types of Income Listed above:

- Reference the “**Voucher Workflow Matrix for Scholarships and Tax-Related Payments**” posted on the Finance website <http://www.uh.edu/finance/pages/References.htm> to determine which payments require the Foreign National Information Addendum and tax approval.
- To determine if the vendor is a foreign national, the department must have the vendor complete the “Foreign National Information Addendum” found in the Tax website http://www.uh.edu/finance/TaxInformation/PDF_files/Foreign%20National%20Information%20Addendum.pdf
- If vendor **IS NOT** a foreign national, the vendor must write their name on the top section of the addendum, and write “N/A” on the visa section, then sign and date the form. Upload the addendum to the voucher. No taxes to withhold, but voucher must be routed through tax workflow for review and approval if using one of the account codes listed below.

NOTE: Refer to the chart on page 3 to determine the appropriate approval workflow path

Account	UHCL/UHD /UHV Account	Account Description	Payee Classification	Workflow Path
54812		EMPLOYEE STIPENDS (Upload Foreign Natl. Info. Addendum w/Tax Approval)	Student Employee	Scholarships
54812		EMPLOYEE STIPENDS (Upload Foreign National Information Addendum)	Non-Student Employee	Tax
54817		PARTICIPANT-TRAVEL EXPENSES (Upload Foreign National Information Addendum, and process payment in the Concur Travel Management System, or A/P for UHCL, UHD, UHV)	Non-Employee	Tax
54819	54849	UH-NON-EMPLOYEE STIPENDS (Upload Foreign Natl. Info. Addendum w/Tax Approval)	Non-Employee Student	Scholarships
54819	54849	UH-NON-EMPLOYEE STIPENDS (Upload Foreign Natl. Info. Addendum)	Non-Employee and Non-Student	Tax
54821	54851	UH-NSF PARTICIPANT STIPEND (Upload Foreign Natl. Info. Addendum w/Tax Approval)	Student	Scholarships
54821	54851	UH-NSF PARTICIPANT STIPEND (Upload Foreign Natl. Info. Addendum)	Non-Student	Tax
54823		UH EMPLOYEE PARTICIPANT STIPEND (Upload Foreign Natl. Info. Addendum w/Tax Approval)	Student Employee	Scholarships
54823		UH EMPLOYEE PARTICIPANT STIPEND (Upload Foreign National Information Addendum)	Non-Student Employee	Tax
54825		NON-UH EMPLOYEE PARTICIPANT STIPEND (Upload Foreign Natl. Info. Addendum w/Tax Approval)	Non-Employee Student	Scholarships
54825		NON-UH EMPLOYEE PARTICIPANT STIPEND (Upload Foreign Natl. Info. Addendum)	Non-Employee and Non-Student	Tax
54902	54950	UH-NON-EMPLOYEE AWARDS (Upload Foreign National Information Addendum)	Non-Employee and Non-Student	Tax
54904		UH-EMPLOYEE AWARDS (NON-CASH > \$50) (Include Taxable Payments form - Exhibit B on Finance Forms page w/Tax approval)	Student Employee	Scholarships
54904	54951	UH-EMPLOYEE AWARDS (NON-CASH > \$50) (Include Taxable Payments form - Exhibit B on Finance Forms page)	Non-Student Employee	Tax
54912		STUDENT AWARDS (Upload Foreign National Information Addendum w/Tax Approval)	Student	Scholarships
56124		UH-DOMESTIC STUDENT TRAVEL (Upload Foreign National Information Addendum, and process payment in the Concur Travel Management System, or A/P for UHCL, UHD, UHV)	Student	Tax
56129	56427	UH-PROSPECTIVE STUDENT TRAVEL (Upload Foreign National Information Addendum, and process payment in the Concur Travel Management System, or A/P for UHCL, UHD, UHV)	Prospective Student	Tax
Student - Refers to University of Houston students only				
w/Tax Approval - Some vouchers sent to Scholarships also need Tax approval. Email the Tax Department the voucher number. Tax Dept puts their approval in Comments. Then route to SFA.				
Taxable Payments or Reimbursements Form - Exhibit B from SAM 03.D.06 www.uh.edu/Finance/Forms/Taxable Payments or Reimbursements to Employees				
Foreign National Information Addendum - http://www.uh.edu/finance/TaxInformation/PDF_files/Foreign%20National%20Information%20Addendum.pdf				

- If vendor **IS** a foreign national, the “Foreign National Information Addendum” must be completed in full and upload the addendum to the voucher. The department that’s processing the payment for the foreign national must contact the tax department to determine if the foreign national is eligible for a tax treaty exemption. If no tax treaty exemption is available, the withholding rate will be **14%** for an “F-1”, “J-1”, “M”, or “Q” visa status (see special instructions in red below for J-1 short-term research scholars). All other visa status is subject to **30%** tax withholding.
- After the Tax Department determines if vendor is exempted under a tax treaty, the Tax Department will forward to the department the tax treaty exemption IRS Form W-9 or W-8BEN. Either form must be uploaded to the voucher along with the completed Foreign National Information Addendum and a copy of the email from the Tax Department with tax treaty results. The voucher should be routed through tax workflow for approval.

- If vendor **IS NOT** eligible to receive a tax treaty exemption, the tax withholding should be applied to the payment. Withhold tax at **14%** for an “F-1”, “J-1”, “M”, or “Q” visa status. All other visa status is subject to **30%**. Add a second account line to the voucher using account code **20611** and cost center **2080-H0258-F0855-BPXXXX-NA** or Speed type 24299 (see below). Route voucher through tax workflow for approval.

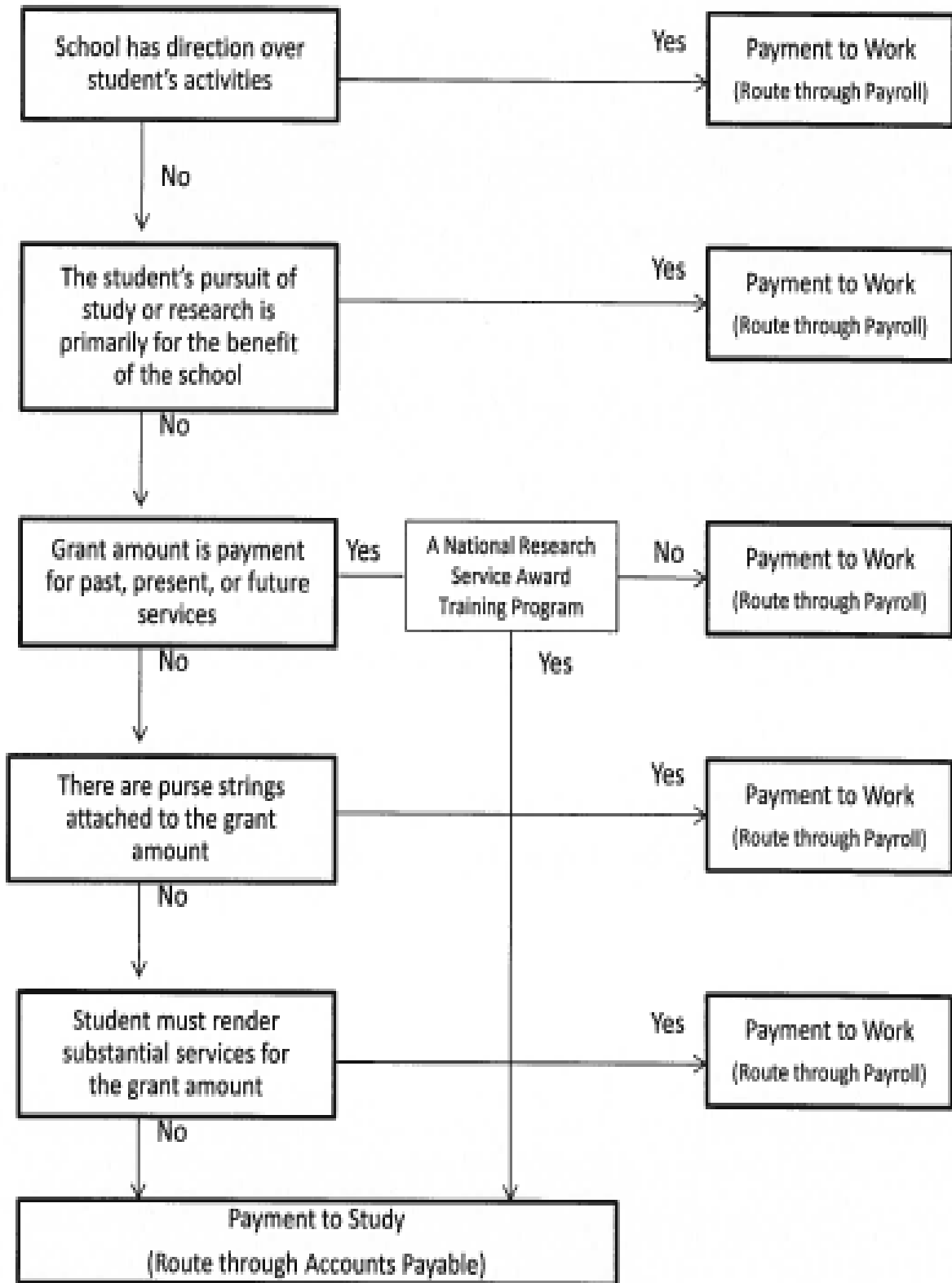
Budget Check: Valid Source: NSM

Acct./Desc.	Fund	Dept.	Prog.	Bud. Ref.	Proj.	Chartfield 1	Amount	Description
54825 non-uh emp participant stipend	2064	H0107	B0555	BP2018	NA		2,500.00	2/1/18 Stipend - 58070
20611 tax liability, nonresident ali	2080	H0258	F0855	BP2018	NA		-350.00	14% Tax for J1

***Please note special instructions below for J-1 Short Term Research Scholars. Departments must upload to the voucher supporting documentation for payments processed through A/P for a J-1 visa status.**

- To be in compliance with FLSA employment law, UH must follow certain guidelines when processing payments to a J-1 research scholar. The primary consideration for whether someone should be paid as an employee vs on a stipend or scholarship is who benefits from the work. If the duties that the student will perform are primarily learning-oriented, such as a training, or educational opportunity, then they can be paid via stipend or scholarship. If the duties are mainly for the benefit of the department, such as routine tasks or being an “extra pair of hands” to the PI, then the individual needs to be treated as an employee and paid through payroll.
- We need to determine the relationship of the individual to the university, since that relationship depends on the nature of the work being performed. Below is a flowchart and some examples that may help the departments clarify matters and determine if payment should be processed through Payroll or Accounts Payable. See flow chart on page 5.

Payment to Work or Study?



Payment to Work or Study?

Stipend:

scholarship or salary

14 different types of payments

Honorarium, Royalty, etc...

Result will be delay in processing payment in Payroll or Accounts Payable

A	Work	Individual subject to close PI supervision, services geared to planned time schedules, and required specific progress reports
		vs
	Study	Student choose their own research subject and how to conduct that research, has no legal right in the research results, no office hours, and no need to report to a supervisor
B	Work	Individual's services directly related to the fulfillment of a contract to a specific sponsored project
		vs
	Study	Services are providing instructional & educational training for the student
C	Work	Grant requires that the student work for the grantor for two years after graduation
		vs
	Study	Grant provided by National Research Service Award Training Program
D	Work	Grant payments are comparable in size to professors' salaries and provides health benefits. Also, 12 pymts - 1 per mo.
		vs
	Study	Payments are similar in size to research scholars. Also, 3 pymts - 1 per semester
E	Work	Individual required to devote full-time to the research project or work a required number of hours a week
		vs
	Study	Individual may work at their own pace or as needed

- Basically comes down to, **“Who benefits most from the relationship”**? If this is primarily a learning opportunity where the intern gains mastery over a skill or process and then moves on to other tasks, then it’s okay to pay a stipend (**upload payment justification to the voucher**). If this is mainly to provide the department/PI with additional help on a project or with routine daily tasks, then they must be treated as employees and paid through payroll (via ePAR) and comply with FLSA requirements.
- Departments must complete the **“Payment(s) to Non-Employee and Non-Contractor Review and Approval Form”** posted on the Human Resources website <http://www.uh.edu/human-resources/forms/>. Upload the form to the voucher. See form example on page 7.

Payment(s) to Non-Employees and Non-Contractors Review and Approval Form

Name of Student/Trainee/Researcher _____

PSID# _____ Visa Status (if applicable) _____

Department _____

Start Date: _____ End Date: _____ (must recertify in August each new academic year)

Amount \$ _____ per month hour one-time

Please answer all of the following questions about the individual named above.

Is the individual part of a National Research Service Award training program? <i>(If yes, this is automatically a voucher payment.)</i>	No	Yes
If this individual is not a trainee, does a UH staff or faculty member direct their daily activities, or are the payee's tasks and hours independent in nature?	UH-Directed	Independent
If training is being offered, is it similar to what would be offered in a typical educational program?	No	Yes
Does the work or research primarily benefit the department or the individual?	Benefits the Department	Benefits the Individual
Are payments to be made in return for past, present or future services to the department or university?	Yes	No
Does this individual displace any regular employees or reduce the department's need to hire additional personnel?	Yes	No
<i>The first row, if yes, is an automatic voucher. All other rows = 1 point. Circle the outcome with the highest points.</i>	<i>Payroll</i>	<i>Voucher</i>

I attest that the above statements are true and accurate to the best of my knowledge. Should the nature of the relationship between _____ (Name) and _____ (Department) change, I will notify Human Resources to discuss appropriate action.

(Preparer) _____ Date

(Department Head or P.I.) _____ Date

(College or Division Business Administrator) _____ Date

- If it's determined on this form that payment should be paid via Accounts Payable, upload to the voucher the form along with the Foreign National Information Addendum, and apply the corresponding tax withholding rate. Route voucher through tax workflow for approval.

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