

GEORGETOWN UNIVERSITY



FINANCIAL AFFAIRS MANUAL

Issuing Department TAX Department	Topic: Processing of Payments, Including Qualified Scholarships, Fellowships, and Internships.	Policy # FA114-07	
New	Revised December 1, 2006	Supersedes Policy #	Effective Date: January 1, 2003

100.1 POLICY

Processing and Reporting of Payments, Including Qualified Scholarships, Fellowships, and Internships.

100.2 STATEMENT

To facilitate the identification, classification and processing of various types of payments, and, if necessary, reporting the payments.

100.3 RESPONSIBILITY

University departments requesting payments are responsible for requesting the payment consistent with the policy as outlined below.

The Accounts Payable and Payroll Departments are responsible for ensuring that payments are processed consistent with the policy set forth below.

The Tax Department is responsible for educating the University, Accounts Payable, and Payroll Departments on the policy set forth below. This includes: clarifying, when necessary, the true nature of a payment, and informing the departments of changes in the Federal tax law that may impact this policy.

100.4 GUIDELINES:

a. What are the methods used to process payments?

There are two different methods used to process payments. The first is through the Payroll system; the other is through the Accounts Payable system.

b. What determines which is the correct method to process a particular payment?

Simply put, the relationship of the payee to the University and the goods or services for which payment is made determine which system is used to process a particular payment.

- **Payroll System**

Payments that represent compensation for services should generally be processed through the Payroll system. Typical services may include: tutoring, teaching assistantships, data entry, and internships. Exceptions to this rule may apply when an independent contractor relationship based on IRS criteria exists, see (<http://www.georgetown.edu/finaff/tax/worker.html>). Under these circumstances, the tax department should review the individual agreement to determine the proper treatment.

- **Accounts Payable System**

All other payments should be processed through the Accounts Payable system.

c. What are the reporting and/or withholding requirements for each type of payment?

Payroll payments will be reported on an IRS Form W-2. FICA and Medicare taxes may be imposed and withheld. Additionally, income taxes may be withheld based on the type of payment

Accounts Payable payments may be reported on an IRS Form 1099. Generally, if payments to an individual or entity, when aggregated, are at least \$600 in any given calendar year, they will be reported on an IRS Form 1099

d. How to Request Payment

In order for an individual to be paid through the Payroll system, he/she needs to initially be set up in the payroll system (a Human Resource Genesys function). Payroll payment requests should be sent to the Payroll Department, 4th Floor, 2121 Wisconsin Avenue.

Accounts Payable payment requests should be sent to the Accounts Payable Department, 4th Floor, 2121 Wisconsin Avenue. Requests should include all supporting documentation (i.e. receipts, invoices). If not already on file, a completed IRS Form W-9 should be completed and provided to the Accounts Payable Department.

For limited low dollar payments a W-9 may not be required, see [Receipt of Payment Form](#).

e. Special Rules for Processing Scholarship/Fellowship Payments

Qualified Scholarships and fellowships are tax free to the recipient. Qualified scholarships and fellowships are monies that are used to pay for tuition, books and required fees. GU treats scholarships and fellowships that are posted directly to student accounts as qualified scholarships and fellowships. Neither the Payroll nor Accounts Payable systems are used to process qualified scholarships or fellowships.

Students may also receive money in the form of a stipend to help defray living expenses. Provided the stipend is awarded without a service requirement, the stipend request should be processed through the accounts payable system. Unless these funds are used for tuition, books or required fees they will be deemed taxable to the student, however, per IRS regulations GU will not report such payments to the IRS or withhold taxes from such payments.

Any money the student is awarded or otherwise given that has a service component as a condition should be processed through the Payroll system and treated as wages.

f. Still have questions?

If you are unclear which system you should process your payment through, please contact the Tax Department: John C. Kotwicki, Director of Tax and Asset Management @ (202) 687-5449 (kotwickj@georgetown.edu), Lawrence A. Smith, Senior Tax Accountant, @ (202) 687-5448 (smithl@georgetown.edu) or Shannal Sullivan, Tax Accountant, @ (202) 687-1158 (ss628@georgetown.edu).