

## **Procedure 23800: Fellowship Payments**

### **A. Introduction**

A fellowship payment generally is an amount paid for the benefit of a student to aid in the pursuit of study or research. Students receiving fellowship payments are not required to work in order to receive these payments. Taxes are not withheld from these payments unless the recipient is an international student.

Fellowships/stipends provide support for training opportunities pursued outside the normal curriculum whereas scholarships provide support for completion of undergraduate education. According to the IRS, a scholarship is generally an amount paid or allowed to a student at an educational institution for the purpose of study. A fellowship is generally an amount paid to an individual for the purpose of research.

### **B. Procedure**

Although the payroll system is used to disburse fellowship dollars, fellowships have no relationship to employment. The recipient should not have to perform any service to the University (now or in the future) in order to receive fellowship money. If there is a requirement to perform services, the payment should NOT be paid using a fellowship position (STPxxx – graduate or STUxxx - undergraduate); the recipient is an employee and must be placed on the wage or salary payroll.

When dollars are paid as a fellowship (because there is no work requirement), no taxes are withheld and no year-end W-2 is generated. U.S. citizens are on the honor system to report this income when they file their taxes in accordance with IRS regulations on scholarships (Publication 970). The amounts are reported on the 1098T form if the student is enrolled. However, different tax rules apply to international students. For them, the university is required to collect taxes on the fellowship and to report those amounts at year-end to the IRS on form 1042S.

The fellowship disbursement process is used for both graduate and undergraduate disbursements for items such as National Science Foundation Research Experience for Undergraduates (REUs), Multicultural Academic Opportunities Program Summer Research Internship, or any other sponsored program funded fellowship. Prizes (student contest) must be paid through Accounts Payable because they are 1099 reportable and cannot be paid through the fellowship disbursement process. For undergraduate fellowships, contact the [Office of Undergraduate Research](#) for assistance.

### C. Restrictions

Fellowship payments are typically charged to sponsored or private funds. They are not allowable charges on educational and general funds (state operating, overhead, continuing education surplus, etc.) or auxiliary operating funds. Scholarships cannot be entered on the fellowship disbursement process. Scholarships should be paid through the student account using the "Request to Pay Funds to a Student Account" form on the Bursar's website.

### D. Processing

A pooled fellowship position (STPxxx for graduate students or STUxxx for undergraduate students) must exist in the Banner Human Resources System (HRIS) for the six-digit organization number before a fellowship payment can be disbursed to a student. The Employee Administration Group in Personnel Services establishes these positions upon request from the department. Only one pooled position is needed for each six-digit organization number. All of the STPxxx and STUxxx positions are paid on the fellowship payroll (ST code).

The student is entered through the PAF process in Banner once the position is established. See the Resource Guide on the Human Resources [website](#) for the HR Banner Training Manual for instructions.

If the fellowship payment will be funded from a fund in the Virginia Tech Foundation (VTF) (fund number that begins with an 8), a University local fund must be established for these charges. Contact the General Accounting Section of the Controller's Office with the VTF charge fund number, department's organization number, and description of the VTF fund to obtain the local fund number to be used for the funding. The Controller's Office processes a monthly billing to the VTF to obtain funds for fellowship charges to these funds.