Student Income:

Scholarships, Fellowships, Assistantships

(The following information is intended to help the reader understand taxable income and award payout for students who are citizens of the United States. This is not a document for non-resident students.)

**SCHOLARSHIPS** are generally amounts paid for the benefit of a student (whether an undergraduate or a graduate) at an educational institution to aid in the pursuit of his or her studies. (See IRS pub.970) All scholarships are approved and applied by the Financial Planning Office of Mercer University.

- Scholarships are paid out when Financial Planning posts the approved amount to the student’s account.
- Scholarships have NO WORK REQUIREMENT.
- Scholarships are reported to the recipient on IRS Form 1098-T

**FELLOWSHIPS** are grants made to Mercer Graduate Students for the benefit of that student to aid in the pursuit of his/her study or research. (See IRS pub.970)

A Fellowship offer letter may have several components (or designations for use):

- the fellowship offer letter may include a *qualified scholarship* component; meaning that a portion of the total fellowship amount may be designated for tuition & tuition related fees. This amount is paid out when Financial Planning posts the approved amount to the student’s account. This portion is considered a scholarship by definition and is therefore reported to the recipient on IRS Form 1098-T.

- the fellowship may include a *non-qualified scholarship* component for housing and meals on campus. This amount is paid out when Financial Planning posts the approved amount to the student’s account. The portion posted to the students account for housing and meals on campus would be included on the IRS Form 1098-T.

- the fellowship may include a *living expense stipend* that is paid directly to the student to help with the costs of off-campus living expenses. This amount is paid out when the awarding Department submits a Request for Payment (along with a copy of the student’s offer letter) to the Accounts Payable Office. The living expense stipend would not be reportable to the student on any form but rather it would be his/her responsibility to report this income to the IRS as required. *Supervising faculty are strongly encouraged to attain approval for this method of payment during the initial award process so that offer letters to students may clearly explain methods of payment.*

- the fellowship may also include a *service component.* (See Graduate Assistantships below) This portion represents financial assistance under the heading of a fellowship that must be *earned* by the student. All or just a portion of the fellowship may be considered a service award. All income requiring service/work is subject to graduated withholding and paid through the Student Payroll Office.

**Graduate Assistantships** are payments made to Mercer Graduate students for teaching, research, or other required work/service that enhance that students educational experience in their field of study. Though they are typically exempt from FLSA (having no employee-employer relationship) the payment is not exempt from withholding taxes. It is paid through Student Payroll and subject to withholding taxes as wages. This amount is paid out when the awarding Department submits a [Student Time Report](#) (Flat Rate Amount is used) to the Student Payroll Office. This income will be reported to the student on IRS Form W2.

- Research Assistants who are not Mercer Students MUST be approved through Human Resources as regular employees.
- Research Assistants who are Mercer Students, but are not legal residents of the United States, have different governing rules and regulations. Please contact Cathy Smith in the Payroll Office for additional assistance.
Payment for Fellowships & Assistantships:

**Mercer Students:**

1-PRE-APPROVE FUNDS
   Unrestricted must be approved through your budget head. Restricted funds must also be approved through Grants & Contracts.

2-PREPARE WRITTEN OFFER LETTER OUTLINING TERMS OF FELLOWSHIP/ASSISTANTSHIP
   You are encouraged to discuss the offer letter with payroll in advance to assure that your student has clear expectations of how they will receive this assistance. (See sample provided below) or for more complicated agreements, be sure legal counsel is included in your planning phase.

3-CHECK DISTRIBUTION

   If no work is required of the student:
   Fellowship (for living expenses off campus) with no service requirement may be submitted to Accounts Payable on a REQUEST FOR PAYMENT FORM. (Contact Becky Cauley for further assistance x 2812)

   If the student is required to work:

   Fellowships with a service requirement are treated as wages and are issued through student payroll. (Contact Kelley Bondurant for further assistance x 2815)

   Graduate Assistantships are treated differently by the IRS than fellowships--Under current law, stipends for student teaching and research assistants are generally viewed as compensation for services and are therefore considered taxable income by the IRS. Graduate Assistantships are issued through student payroll.

   If you are not sure how to proceed, you may email a copy of the fellowship offer letter to Cathy Smith (smith_cs) in payroll for assistance.

**Non-Mercer Students:**

   Contact Human Resources before obligating any funds to a non-Mercer student.
A note from Student Payroll:

Graduate students of Mercer University who are afforded an opportunity to perform research or teach in order to increase their knowledge and experience in their field of study are not regular employees subject to FLSA. However, the income is compensation and so it is paid through student payroll and withholding tax applies. The student will get a W2.

Graduate Assistantships may NOT BE PAID automatically (like salaries) by student payroll. For each Graduate Assistant and/or Graduate Research Assistant, we must have:

1-a copy of their offer letter defining the designated use and dollar amount of the funds awarded.

2-a request for payment for each payment made, signed by the supervising faculty member and the student. (A Student Time sheet may be used)
SAMPLE FELLOWSHIP OFFER LETTER

(VERY BASIC)

Date

Recipient

Street

City, State Zip

Dear : 

We are pleased to inform you that you have been awarded a Fellowship. This fellowship will be paid out in equal payments at the end of each month beginning and continuing through for a total of $.

There is no work or service requirement associated with the fellowship payment. Graduate students receiving stipend fellowships must be full-time Mercer students, either registered for a minimum of nine credit-hours or granted full-time status each semester during the period of their appointment. The provisions of the tax law require students who are degree candidates to report fellowship awards as taxable income to the extent such awards exceed “course-related expenses.” The IRS does not require institutions to withhold tax with respect to fellowship payments nor does it require institutions to report those payments, except in the case of certain nonresident aliens.

You may accept a graduate assistantship or other part-time student employment during the time you hold this fellowship; however, your total employment may not exceed 25 hours per week. We hope this fellowship award will provide helpful support as you complete your degree.

Please indicate your acceptance of this offer by signing and returning the attached form by . If you have any questions regarding this award, please contact .

Sincerely,

□ I accept the fellowship offer for the 20XX-20XX academic year.

□ I decline the offer.

______________________________   ______________________________   __________
Print Name   Signature   Date
SAMPLE FELLOWSHIP OFFER LETTER

Date
Name
Address
City, State Zip

Dear ____________:

We are delighted that you will be entering our graduate program in the field of _______ this _________ (semester) and would like to offer you a fellowship for the ______ term _______ to assist with your costs. Below, we have outlined for you the terms of the award.

Your appointment as a fellow would be for the ______ term and would include a stipend of $______ to be distributed ______ in _____ lump sum monthly payments. In order to maintain the fellowship for the _____ semester and be eligible for reappointment in future semesters, you must maintain a satisfactory academic record, be enrolled at Mercer University as a full-time student, and work in the science lab for 10 hours per week. Due to the nature of the University’s budget, reappointment in future semesters is contingent upon the availability of University funding. Fellows are not allowed to work on or off campus while focusing on this academically enriching opportunity.

To advise us of your intentions, please sign the duplicate copy of this letter indicating your acceptance or declination of this offer and return it to me as soon as possible but no later than ____________. Please do not hesitate to contact me should you have any questions. We look forward to hearing from you soon.

Sincerely,

I accept the fellowship as stipulated in this letter.

I decline the fellowship as stipulated in this letter.

Signature ___________________________ Date ___________________