

Financial Operations Guidelines PRIZE AND AWARD PAYMENTS TO STUDENTS AND NONEMPLOYEES

Purpose of Guidelines

These guidelines govern the processes for prizes and financial aid awards to students and non-employees. The guidelines provide streamlined processing for prize and financial aid award payments of \$100 or less to an individual in a calendar year.

For awards and prizes to faculty and staff, [see Employee Recognition Policies](#).
For scholarships and fellowships awards to students, [see Student Financial Aid](#).

Distribution of prizes and awards is subject to a variety of provisions under University Human Resources policies, "Travel, Entertainment & Courtesy" and "Purchasing and Payment" policies, and to Internal Revenue Service (IRS) regulations.

These guidelines do not govern financial aid awards to students nor prize and award payments to Northwestern University faculty and staff.

All members of the Northwestern University community should be aware of these guidelines.

The [Prize and Award Payment Processing Guide](#) should be consulted for quick reference to recommended payment methods.

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Definitions

Award

An award is a payment to an individual in recognition of distinguished work or

Gift

Gift card

Honorarium

Prizes

Departmental research
awards

Scholarship/Fellowship/Grants Student aid payments processed through the Office of Financial Aid for study, training or research

Stored-value card A type of bankcard with a specific dollar value programmed into it. The Northwestern program provides physical and virtual payment cards. See [Stored Value Card \(VISA\) Program](#) for more information.

Prizes & Awards

Conferring of Prizes and Awards to Students and Non-Employees

As part of the University educational mission, departments, centers, and individual programs may want to recognize or reward exceptional student accomplishments and on occasion external individual accomplishments of an academic nature. Also, they may want to award funds to support student continuing studies outside of a formal enrolled course (such as research grant funds). Prizes and awards are not gifts, honorariums, payments for services, or student financial aid.

Taxability of Prizes & Awards

United States Resident

Prize and award payments are taxable income to United States (US) residents. US residents' taxable payments totaling \$600 or more in a calendar year are reportable to the IRS on a Form 1099-MISC.

Non-Residents

The taxability of prize and awards payments to non-residents is subject to treaty regulations and dependent on country of tax residency. Non-residents will receive [Form 1042S- Foreign Person's U.S. Source Income Subject to Withholding](#) (Form 1042S) in March of the following year, reflecting the income received and the taxes withheld for these payments.

Departmental Research/Project Awards to Students

Certain awards to students for continuing study, or to support projects or research processed through [Payroll](#) as scholarships. These payments are taxable income to the student; however, the University is not required to withhold taxes from US residents or report payments to the IRS. The University is required to withhold taxes from non-residents for these payments. Departmental payments in support of University study and research expenses (travel) are non-taxable only if payments are made as reimbursements supported by original receipts. See ["Travel, Entertainment & Courtesy policy"](#)

Payment Methods for Prizes and Awards

Payments- \$100 or less (annual limit)

For payments of \$100 and less (in aggregate per person per calendar year) disbursements may be made via

- x [Petty cash](#)
- x [Check](#)
- x [Stored Value Card](#) (plastic or virtual)
- x Gift card (not preferred payment method)

Payments- exceeding \$100

For payments greater than \$100 (in aggregate per person per calendar year) disbursements should be made via

- x Checks through [Accounts Payable](#) procedures (US residents only)
 - o The recipient is required to provide personal identifiable information in order to be added to the vendor table.
 - o Information on adding a vendor can be found in [the Add a Vendor](#) section Procurement and Payment website.
- x Checks through Payroll procedures for nonresidents
 - o The Prize/Award

- x Exceptions for payments to be made from sponsored chart strings should be sent via e-mail to [Nancy Pinchar](#)
- x Exception requests for payments to be made from sponsored chart strings should be sent to [Karen Spina](#)

If approved, a copy of exception approval must be included with the payment and petty cash reimbursement or nontravel advance documentation.

Stored Value Cards - \$100 or less (annual limit)

The Stored Value Cards are the recommended alternative to gift cards, as they are returnable to Depository Services. The same documentation and safeguarding procedures that apply to cash payments apply to gift cards and stored value cards.

Stored value cards or gift cards need to be used for a business purpose and this use must be documented.

- x If there are remaining stored value cards, Depository Services must be contacted to process returns.
- x If there are remaining gift cards, Accounting Services should be consulted. Unused gift cards should be secured as if they were cash, and a record kept of cards to be used for a future business purpose.

Documentation for Distribution of Payments

Regardless of the payment amount or method, the distribution of the award and gift payments should be documented for each recipient.

The responsible administrator must be able to account for the total dollar amount distributed for the payments, validate that the payments were distributed to an actual recipient and that the payments were processed in accordance with University policies.

Account Codes

- x Prizes and awards account code 78110 should be used for prize award payments paid through Accounts Payable. Payroll processing uses other codes depending on purpose.

Recipient

- x The documentation may be in the form of a log. This documentation should include all of the following:
 - o The name of the recipient
 - o Amount disbursed
 - o Date of the disbursement
 - o Acknowledgment of receipt of funds (i.e. signature of the recipient)
 - o Acknowledgment of distribution (i.e. signature from the responsible administrator)
 - o The recipient's relationship to the University (e.g. employee).
- x For cash payments of \$100 or less, including gift cards purchased with petty cash funds, the [Prize and Award Cash Payment Form](#) or an equivalent must be used to document the distribution of the funds and the recipient's acknowledgement of the annual \$100 limit.

x

Forms/Instructions

[Additional Pay Request Form and Special Pay Request Form](#) (for more information on use of these forms, check with the payroll contact for your unit)

[Prize and Award Cash Payment Form](#)

[Prize and Award Stored Value Request Form](#)

[Form 1040 US. Individual Tax Return](#)

[Form 1042S Foreign Person's U.S. Source Income Subject to Withholding](#)

[IRS Publication 520 Scholarships and Fellowships](#)

[Prize/Award Packet for Non-Resident](#)

[Purchasing and Payments Methods Quick Reference](#)

[W9 Request for Taxpayer Identification Number and Certification](#)

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