

## Stipend vs. Salary Guidelines

The terms **stipend** and **salary** can be confusing, especially as they are often used interchangeably and improperly. Definitions follow:

STIPEND	SALARY
Payment of a living allowance for a training or learning experience from an individual award or institutional training grant	Payment of services rendered and there is an employee/employer relationship
The College does not control the outcome of the individual's work product	The College has control over the individual's work product
The College does not deduct Federal taxes (income, FICA, etc.) on behalf of the stipend recipient	The College is responsible for collection of all payroll taxes (income, FICA, etc.)
F&A (indirect costs) is not collected for expenses associated with a stipend award unless allowable by the funding agency's guidelines	F&A will be collected to the fullest extent as allowed by funding agency guidelines.

If the answer is yes to any of the following questions, chances are a salary, rather than a stipend will be paid to the individual:

- Must the individual remain at the College to receive payment?
- Does the College have the right to control the details and means by which the individual performs the work?
- Does the College have the right to control and direct the activities and outcome of the individual?
- Is the College receiving benefit from the service?

If the answer is yes, the student should be paid through payroll.

## Employment vs. Stipend vs. Scholarship Questionnaire

The purpose of this questionnaire is to determine when payments made to students represent compensation for services.

1. Is the student required by written agreement to accept employment with SMCCCD or other designated organization after the stipend period or internship has ended? This includes a written requirement to pay back amounts received if the student does not accept employment.

- Yes [Skip to Number 9]
- No [Continue]

2. Is the student participating in activities on SMCCCD's or the grant funding agency's premise?

- Yes [Continue]
- No [Skip to Number 4]

3. If the student was not doing the work, would someone else be hired to do it?

- Yes [Skip to Number 9]
- No [Continue]

4. Do the activities of the student provide a benefit to SMCCCD or the grant funding agency that is significant or more than incidental to the primary purpose? (Check all that apply.)

- If working on a grant, the student has a required deliverable to the **grant funding agency**, e.g., research report.
- The student is performing a function that has measurable outcomes that impact the programs or activities of SMCCCD or the grant funding agency.
- The student is participating in an activity that generates revenue for SMCCCD or the grant funding agency, e.g., sporting event ticket sales generate revenue.

If you answered yes to any of the above bullets, continue to Number 5. Otherwise, skip to Number 7.

5. Is the activity directly connected to SMCCCD 's academic or related extracurricular student program, e.g., sports program, performing arts, teaching a class, lab assistant, research for a UA project funded by a grant, clinical internship?

- Yes [Continue]
- No [Skip to Number 9]

6. Is the payment of the stipend or scholarship contingent upon the student completing the practicum, field experience, research, training, or other activities?

- Yes [Continue]
- No [Skip to Number 8]

7. Is the only requirement for payment of the stipend or scholarship that the student be enrolled per program requirements and make satisfactory progress?

- Yes [Continue]
- No [Skip to Number 9]

8. Payments to payee are **Stipend** payments. Payments should be made through **Accounts Payable (A/P)**. The college has tax reporting responsibilities.

9. Payments to payee are **Compensation** payments. Payments should be made through **Payroll**. The college has tax reporting and withholding responsibilities for all compensation payments.

All income received by the student or participant is taxable income regardless of classification as scholarship, stipend or compensation. However, amounts classified as scholarship or stipends are eligible for potential exclusion from income under IRC Section 117 for amounts paid for tuition, required fees, books and course required school supplies.

## **Factors that can assist with the determining payment:**

The following are factors that indicate that a payment is for training and should be treated as a stipend:

1. The recipient is not expected to provide any substantial “quid pro quo” in exchange for the stipend;
2. The focus is on the experience to be gained by the student rather than on the performance of services that benefit the grantor;
3. The recipient has significant input in determining the research activities to be conducted;
4. The recipient is not required to provide any deliverable other than progress reports to the SMCCCD, or in certain cases, to the granting agency; and
5. Recipients are not required to have performed past services or to agree to perform future services for SMCCCD as a condition of receiving the payment.

The following are factors that indicate that a payment involves services:

1. SMCCCD has the right to direct the recipient’s work, including when, where and how the work will be done and what the final product will be. Note, however, that this does not include educational guidance;
2. Recipients serve as laboratory technicians or in other roles for which SMCCCD or the granting agency, in the absence of the recipient, would need to use employees or contractors; and
3. The services are performed in fulfillment of the SMCCCD’s or granting agency’s contractual obligations with outside entities under which the recipient is required to produce specific deliverables.

When the payment is in excess of tuition, required fees, books, supplies and equipment, the recipient’s employment status is a significant factor in determining whether to categorize the payment as a payment involving services.

Note:

If employment, please complete the New Hire Paperwork. (Under Downloads - Human Resources). Charge account code 2XXX.

If Stipend, please complete Stipend Request Form. (Under Downloads - Accounts Payable). Charge account 5101 for students and 5102 for non-students.