

# THE GRADUATE SCHOOL

## FINANCIAL POLICIES AND GUIDELINES

2009-2010

*The Graduate School reserves the right to revise these policies and procedures without notice in order to effectively address areas that are unclear, or to reflect changing processes within or outside the University. Use this as a guide. Always refer specific questions to the Office of Dean Mawhinney. This publication will be periodically updated as required.*

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## **The Graduate School Financial Policies and Guidelines**

### **Enrollment Length and Financial Support**

Each academic department has a specifically-defined program length for its Ph.D. students (during this program length, enrollment is called “regular”). Students who are admitted with financial support are generally provided this support or its equivalent for their entire program length. Certain restrictions as noted on the admission/reenrollment reply form apply, including satisfactory academic progress and the continued availability of funds.

Once a student’s regular enrollment period has expired, the student has the option to apply for up to two additional years of enrollment under an extended enrollment status called “Dissertation Completion Enrollment” (DCE). During this status, a marginal cost tuition is charged (for 2009-10, this cost is \$3,950). As with all tuition charges, the amount includes the mandatory student health plan fee. In some cases, university fellowship support (including tuition) may be awarded to students in DCE status. See the section called “*DCE Funding* (p.7) for a complete description of this extended enrollment status, conditions, and options for financial support.

### **General Funding Support Pattern: All Divisions**

In the humanities and social sciences, university fellowships provide the base financial support for graduate students unless the student has an external grant that replaces the university fellowship (e.g. Javits). University fellowship stipends are paid to students in a flat amount each month for twelve months including summers. For the 2009-10 academic year, the base Graduate School 12-month stipend for Ph.D. students will be \$25,750. Note that program or departmental funds may be used to either (1) make up a portion of the \$25,750 stipend, or (2) provide a top-up to the \$25,750 stipend.

When a student teaches, the AI salary which pays at a higher rate replaces the university fellowship stipend during the academic year in direct proportion to the percentage effort of the AI appointment (see the Section on *University Fellowships in Combination with AI* (p. 6) for this calculation). This requires conversion of the student’s university fellowship stipend to a 10-month academic year basis (e.g. \$25,750 stipend = \$21,458/AY).

In the sciences and engineering, First Year and Centennial Fellowships plus Wu and Upton Fellowships (engineering) provide the Ph.D. student’s first year of financial support unless s/he has an external fellowship or is company sponsored. After the first year, the academic department is responsible for the student’s financial support in the form of research, teaching, and/or departmental funds. Students who teach experience the same salary adjustment as students in the humanities and social sciences except for students who have full external fellowships, in which case the student must receive both forms of payment (because external grants cannot be adjusted as we do with university funds).

Wu, Upton and Centennial Fellows receive a \$4,000 stipend supplement to the AR rate. If the fellow has an external grant, the supplement becomes a prize. In addition, each Wu, Upton

and Centennial Fellow receives \$3,000 in a lump sum in September of their first year of enrollment for educational purposes.

## **Fellowships, Supplements, Top-ups, and Prizes**

In general there are three sources of funding for fellowships:

1. University-funded fellowships
2. Departmental or program fellowships, supplements, top-ups or prizes
3. External fellowships, grants, scholarships or prizes.

Each of these is described below, including the effect when a student holds more than one source of financial support.

### **1. University-funded Fellowships: Definition**

University Fellowships are those that (a) use university general funds for funding; (b) use departmental/program resources for funding in substitution for university general funds; or (c) are funded through grants from external sources where Princeton selects the recipients (they may be called by another name: e.g. FLAS, Whiting). Endowments that are administered through the graduate school are considered to be general funds.

### **1. Departmental/ Program Fellowships, Supplements, Top-ups, or Prizes: Definition**

Departmental or program fellowships come from departmental resources, generally from a departmental “2000” account.. These funds provide financial support for graduate students which do not substitute for general funds and are used at the discretion of the department/program.

### **3. External fellowships, grants, scholarships or prizes: Definition**

External fellowships, grants, scholarships or prizes are those where the sponsor selects the student from a national or international competition. In this event, the funds are either directly paid to the student, or deposited into a 970-4xxx or 970-6xxx project grant for the University to administer. In some cases, the Graduate School bills for tuition; in other cases, the student or the sponsor is billed directly by Student Accounts. These grants come in all forms and amounts, for single years or multiple years of enrollment, and restrictions vary from fellowship to fellowship.

Dean Mawhinney is the fellowship coordinator for all external fellowships. Her office must authorize all paperwork, sponsor billings, exceptions to policies or practice, and/or other matters related to external fellowships. **Please instruct your students to send a copy of their award letter to Dean Mawhinney, 103 Clio Hall, for each year of their award so it can be properly administered and recorded.**

Please be aware that many external sponsors have their own restrictions regarding supplemental funding to which we must adhere, e.g. include teaching eligibility, travel restrictions, required annual paperwork for renewal, and other restrictions. In the event of any conflict, the policy of the external sponsor is the guiding factor. The document **MOST COMMON EXTERNAL FELLOWSHIPS** lists most of the major awards. When in doubt, please check with Dean Mawhinney’s office.

Often the sponsor does not pay full tuition. In many cases, the Graduate School will provide the difference between their cost of education allowance and our tuition rate. For these qualifying external fellowships, the Graduate School will pay the remaining tuition (charge 971-1000 on Labor Accounting), unless the base support is a departmental 2000 account such as Wu, Upton, Hanna, Bowen, Wilson School, or other departmental account. In some cases, the cost of tuition must be billed by Dean Mawhinney's Office or Student Accounts. Please do not bill the sponsor yourself for any tuition that is due on behalf of your sponsored students.

**Please be aware that some sponsors pay their fellows directly. In these instances, do not process the financial support through Labor Accounting (as it will result in double payment).**

### **Combination Funds: Policies and Procedures (beginning w/ 2009-10 AY)**

Students awarded external fellowships are expected to accept those awards. The Graduate School does not allow full fellowships to be held concurrently, nor does it allow multiple incentives such as prizes to be held concurrently. Students who are eligible for more than one will receive the one that represents the highest amount. The Graduate School reserves the right to make adjustments to financial support.

#### **Princeton Fellowship Support in Combination with Internal and/or External Fellowships - PhD Students (only) in Humanities and Social Science Departments**

- **Policy that allows a prize plus the first year of DCE support**

A student who receives an external grant will receive a supplement of the external award up to the standard University Fellowship stipend in addition to a \$4,000 annual prize for each year of the external award. In addition, the Graduate School will provide financial support in the first year of DCE (excluding PhD students in Economics). To qualify, the external fellowship must provide a minimum of:

An annual stipend of 80% of the honorific rate (\$24,800) for two years; or  
an annual stipend of 60% of the honorific rate (\$18,600) for three years; or  
an annual stipend of 50% of the honorific rate (\$15,500) for four years.

NOTE: because of the fluctuating exchange rate between the U.S. and Canadian dollars, SSHRC fellowships are considered as qualifying external grants.

A one year external fellowship which meets one of the criteria above, and which is renewable from year-to-year, entitles the student to an annual prize of \$4,000 beginning with the second year of the award.

- **Policy for all other internal and external awards**

1. Study abroad fellowships : Certain study abroad fellowships (e.g. DAAD) **do not** qualify for prizes or stipend supplements, but **do** qualify for one year of DCE funding.
2. A non-Princeton award which does not meet the stipend criteria for prize-plus-DCE funding may be held concurrently with Graduate School fellowship support, although the combination of funds cannot exceed the honorific rate (\$31,000/12 months for 2009-10). Princeton will reduce its award accordingly if the sum exceeds \$31,000 when combined.
3. Students who also receive department or program supplements can receive an additional \$3,000 in combination funds. In this case, the Graduate School will reduce its award accordingly if the sum exceeds \$34,000 when combined.
4. Master's Degree students in Humanities and Social Sciences must accept their external award and will be supplemented up to the original university fellowship offer as necessary.
5. Exclusions to the caps above:
  - Travel grants issued by the Graduate School, academic departments/programs, or external fellowships;
  - Hanna grants issued by the Graduate School;
  - Whiting, Wu, Upton, Centennial, and Presidential Fellowship lump sum payments that are made in September.

**Princeton Fellowship Support in Combination with External Fellowships - Natural Science and Engineering Departments**

A student who receives a non-Princeton award is expected to accept that award. A non-Princeton award will either:

1. be supplemented up to the AR, First Year Fellowship, or departmental rate through the use of departmental funds; or
2. if the amount of the external grant is higher than the AR, First Year Fellowship, or departmental stipend rate, the student will have the AR, First Year Fellowship, or departmental fellowship replaced entirely by the external grant plus receive a \$4,000 prize if the external grant is for two or more years (academic departments can use their own funds for one year external fellowships, if they so choose).

NOTE: because of the fluctuating exchange rate between the U.S. and Canadian dollars, NSERC fellowships are considered as qualifying external grants for prizes.

Academic departments have the discretion to provide prize incentives from their own funds if they so choose (for example, they could offer a prize in instance #1 above or other cases

of external funding depending on their own discretion combined with the availability of departmental resources in relation to other funding priorities).

### **Wu, Upton and Centennial Fellowships/ Supplements**

Wu, Upton and Centennial Fellowships in the sciences and engineering are premier fellowships that pay a higher stipend than our First Year Fellowships (which are equivalent to the pre-generals AR stipend). All Wu, Upton and Centennial Fellowships pay an additional \$4,000 above the AR rate for the first four years of enrollment, whether or not the student has an external grant. The Wu and Upton Fellowships also pay an additional \$3,000 grant-in-aid in a lump sum in September of their first year of enrollment.

### **University Fellowships in Combination with -- Assistantships in Instruction (AI)**

There are specific guidelines that govern the proration of Graduate School fellowships when a student is appointed as an assistant in instruction (AI). In general terms, the fellowship stipend is prorated according to the AI appointment effort. If a student is appointed 1/3 AI for the term, s/he gets 1/3 of the AI stipend, and the remaining 2/3 of his/her support comes from the academic year fellowship stipend. In this case, the combined stipend would equal:

1/3 from AI plus 2/3 from fellowship (IF THE FELLOWSHIP STIPEND IS 12-MONTH, FIRST CONVERT IT TO 10-MONTHS)

Be sure to use the corresponding pre-generals or post-generals rate when making this calculation. A worksheet is provided on the back of the "AI/FELLOWSHIP AWARD TABLE".

Tuition is also charged accordingly: 1/3 of the term's tuition is charged to the AI account (xxx-1901, where xxx equals the department account) and the remaining tuition is charged to the appropriate 970-1xxx fellowship account (again, xxx equals the department account number). Note: the tuition benefit is NOT provided to students whose base financial support does not include the tuition fellowship; s/he receives only the stipend for the AI appointment. If a student's base fellowship support is partial tuition, then only the corresponding portion is charged to the AI and fellowship accounts. Please refer to the "AI/FELLOWSHIP AWARD TABLE" for specific examples.

In some cases, students receive stipend supplements from departmental accounts. Please check with the Graduate School to discuss whether or not these supplements are affected by an AI appointment. Supplements are generally in the form of prizes or departmental resources that "top-up" stipends.

Whenever there is the danger that a student's stipend will be equal to or less than the student's base fellowship when an AI appointment is made, the departmental supplement must not be reduced.

### **University Fellowships in Combination with Assistantships in Research (AR)**

These combinations of support follow the same rules as "University Fellowships in Combination with Assistantships in Instruction (AI)".

### **External Fellowships in Combination with -- Assistantships in Instruction (AI)**

Teaching stipends are to be paid to holders of non-Princeton fellowships at regular University rates. Students must **ALWAYS** be paid for their services. Most external fellowships (NSF, Hertz, NDSEG, etc.) allow for some modest teaching appointments, especially if it meets the departmental requirement for graduation. In these cases, the student receives the full stipend from the external sponsor, and also the full AI stipend according to the number of hours worked. The corresponding portion of the AI tuition component is charged to the AI account, and the fellowship tuition matching account (971-1000) is reduced by that amount. In no case is a student permitted an AI appointment without receiving the corresponding AI stipend. (Note: NIH Traineeships are the exception to this policy.)

**Please note that some DOE/Krell-sponsored fellowships do not allow any teaching whatsoever.** Please check with Dean Mawhinney's office if in doubt.

Dean Mawhinney's office will not authorize more than a half-time teaching appointment per academic year (6 hours/year) when a student holds an external fellowship.

### **External Fellowships in Combination with -- Assistantships in Research (AR)**

Full, non-University Fellowships are intended by the sponsor to allow students to fully concentrate on their studies so that they don't have to work to support themselves. They are therefore not compatible with full AR appointments.

### **DCE (Dissertation Completion Enrollment) Funding**

PhD students whose departmental program length has expired have the option to apply for up to two years of DCE (Dissertation Completion Enrollment) status. This is a fully enrolled status with all of the benefits of regular enrollment, albeit with a lesser tuition charge. For the 2009-10 academic year, the tuition (including the mandatory student health plan fee) is \$3,950.

DCE students are not funded by the Graduate School the same as regularly enrolled students. The only funding available in the Humanities and Social Sciences is that which is reserved by the student during a regular year of enrollment because of external or departmental resources.

Graduate students in the natural sciences and engineering will be funded according to the availability of research funds and/or teaching appointments. The Graduate School does not have the means to fund these students from fellowship dollars.

## **DCE Funding**

The funding policies for students who opt into DCE status are noted below.

1. In the humanities and social sciences, the Graduate School will fund only the **FIRST YEAR OF DCE**.
2. DCE funding from the Graduate School cannot be reserved.
3. The student health plan cannot be decoupled from tuition for DCE students.
4. There are no Graduate School summer funds for DCE students (there are a few exceptions for honorific fellowships, the occasional Hanna grant, etc.).
5. Where multiple types of funding are present, DCE students will be treated the same as regular students.
6. There is no cost-sharing on research contracts for DCE students.
7. DCE students who receive qualifying external grants that cover at least 60% of the prevailing stipend rate will have their DCE tuition paid by the Graduate School.
8. Students who hold AI appointments for  $\geq 2$  hours/term will have their full tuition paid by the Graduate School. There is no tuition support for a one-hour AI appointment.
9. Students who receive multi-year external grants and/or a one year travel abroad fellowship while regularly enrolled, and who do NOT accept a simultaneous stipend supplement from the Graduate School, are entitled to one year of DCE fellowship support from the Graduate School. (The exception is the Economics Department, where students are not eligible for fellowship support but, rather, rely on available teaching appointments.)

NOTE: ET/DCC students who teach will be appointed as lecturers through the Dean of Faculty's Office, and receive appropriate employee benefits (if 50% FTE or more). Lecturers cannot then return to student status in order to accept an AI appointment (because student status must be continuous).

## **Payments to Graduate Students who Terminate or Graduate**

Students who terminate or graduate may continue to be paid a monthly stipend, depending on the timing of their termination or, in the case of graduating students, their final public oral. Likewise, students may (or may not) be eligible for summer funding, depending on the circumstances of their termination. The graph below describes the basic conditions of eligibility:

Academic status	Pay stops at the time of termination (generally, at the end of the month).	Pay stops at the end of the academic term.	Pay stops at the end of the academic year	Pay stops at the end of the summer following the academic year.
Graduation, Fall				
FPO Before January 1	X			
FPO After January 1		X		
Graduation, Spring				
FPO Before May 1	X			
FPO on or After May 1			X	
Termination	X			
Withdrawal	X			
LOA (mid-term or end of fall term)	X			
LOA for <u>next</u> AY (Note: if enrolled in spring, the student is eligible for summer support)				X
ABS (mid-term or end of fall term)	X			
ABS for <u>next</u> AY (Note: if enrolled in spring, the student is eligible for summer support)				X
ETDCC (assumes that the effective date is at the end of the term)		X		
Terminal Master's Degree		X		
Employment (termination becomes effective at the time of employment)	X			

## Paying Graduate Students via the Time Collection System

### Hourly Employees

Academic departments can assign a task for all graduate students in grade AA – I and K. “K” is a new grade level that has been created to allow departments to hire graduate students at a rate between \$10.50 and \$50.00 per hour. Employment of graduate students at a rate above \$50.00 per hour must be coordinated and approved by the Graduate School (Dean Mawhinney’s Office). Requests for such consideration should be sent to Judy Farquer at [jfarquer@princeton.edu](mailto:jfarquer@princeton.edu) or to Kathy Slomian at [kwalker@princeton.edu](mailto:kwalker@princeton.edu).

### Lump Sum Payments

Lump sum payments to graduate students must be coordinated with the Graduate School. A Lump Sum Payment Form is available on the Graduate School’s website at <http://gso.princeton.edu/>. Go to the intranet, navigate to Payroll, then to the lump sum form link (if you cannot log into the intranet, please contact Dean Mawhinney’s office to have your security ID established). This will bring you to the on-line form which you will complete and submit. You will receive an automatic email confirming the information you have submitted. A lump sum task will then be entered into the Time Collection System by a Graduate School staff member. You

will be contacted if there are any questions, otherwise, you may assume that the payment has been approved. Please submit no later than noon of the last Friday each bi-weekly payroll pay period.

If you have additional questions about these processes, please contact Dean Mawhinney's Office (Judy Farquer, Kit Chandler, or Kathy Slomian) or contact the CIT Help Desk at 8-HELP.

### **I-9 Requirement for AI and/or AR Payment**

Appointments as Assistantships in Instruction and Assistantships in Research are considered pay-for-work (as opposed to fellowship, which is considered a grant which requires no work obligation). All persons who work, regardless of country of citizenship, must complete an I-9 Form which can be obtained from either the Payroll Office or the Dean of Student Affairs Office at the Graduate School. The form must be completed and entered into PeopleSoft by the Student Affairs Office prior to the start of the AI and/or AR appointment. Failure to complete the form means that the student is not eligible to work and therefore cannot be paid. The Payroll Office will not issue a payroll check for students who have not completed an I-9 form. Retroactive dating is not permitted. This is a legal requirement which must be carefully observed.

### **Employment Other than Assistantships in Instruction (AI) or Assistantships in Research (AR)**

The Graduate School considers employment beyond a maximum full-time assistantship of 18-20 hours per week incompatible with full-time graduate study.

The Graduate School reviews students' on-campus employment records. Accordingly, the Graduate School can and will disallow part-time employment, excluding all service awards, if that employment does not comply with federal immigration and employment regulations, and/or fellowship policies. The following policies will be applicable:

- **Under no circumstance can a U. S. student or permanent resident work more than 20 hours per week from all sources (AI, AR and/or hourly employment). Any work beyond a full AI and/or AR appointment may jeopardize the full-time student status of this and other graduate students (with serious tax implications), and will therefore be closely scrutinized.**
- **Under no circumstances can an international student on a visa, with a full AI and/or AR appointment, work even one hour more through hourly employment or otherwise. This not only jeopardizes the full-time student status of this and other graduate students as noted above, but it also violates the terms of the visa status.**

International students may not accept off-campus employment without authorization from either the Immigration and Naturalization Service or the J-1 program sponsor. International students should contact the International Graduate Student Advisor (Office of General Counsel), for further information on employment eligibility.

### **Tuition Cost-Sharing on Research Contracts**

**NOTE: TUITION COST-SHARING ON AR APPLIES ONLY TO REGULAR STUDENTS; THERE IS NO TUITION COST-SHARING FOR DCE or VSRC STUDENTS.**

The Graduate School cost-shares tuition (and the mandatory student health plan fee) on research contracts for an assistantship in research when the research contract provides full payment for the AR stipend and the other half of tuition and fees. **This applies only when the sponsor pays full overhead costs on the research contract.** The department is responsible for assuring that the contract does indeed collect full overhead. If the contract does not provide full overhead, but cost-sharing is called for in the language of the contract (eg. NJIT research contracts), please make a note in the comments section of Labor Accounting so that the Graduate School knows to approve cost-sharing for those students.

All research funding sources which do not pay full overhead for research assistants must be processed through Labor Accounting in one of the two following manners:

- Either the full cost of tuition must be charged to the project grant; or
- The department must substitute a departmental account number for the cost-sharing.

Be sure to use account xxx-1902 for all Graduate School cost-sharing on research contracts (where xxx is the department or program number). These first three digits should correspond to the project grant number to be charged as assigned by ORPA so, for example, if a student in Electrical Engineering (department 170) has a student who is sponsored by PRISM (“department” 339), the research cost-sharing would be 339-1902.

### **Graduate School Fellowship Account Structure**

There are four different fund types, which are designated by the two digits below:

- 10 = general funds
- 20 = department funds
- 40 = corporate and foundation funds
- 60 = federal government funds

### **Basic Project Grant Codes**

The first three digits of the project grants used for Graduate School fellowships:

**970-xxxx**      **Graduate School fellowships**: academic year plus summer.

**971-1000**      **Graduate School tuition matching on fellowships only.** This is the additional cost of tuition over and above the cost-of-education allowance that is provided by many external fellowships such as NSF, Hertz, Ford, GEM, FLAS, Luce, and others. In order to qualify for tuition matching, the fellowship must be a nationally recognized multi-year fellowship. **Do not use this account for tuition matching on research contracts**, which is discussed below. Please refer to "**MOST COMMON EXTERNAL FELLOWSHIPS**" for specific fellowships where tuition is matched on 971-1000.

**974-xxxx** **Visitors only.** Use this account for visiting student fellowships during the academic year and summer. Use 974-1003 for the Graduate School's portion of tuition for Visiting Student Research Collaborators, even if they are only here during the summer.

**975-xxxx** **Prizes awarded at the time of admission.** Prizes are generally for first year students only (prizes are used as a recruiting mechanism) and are attached to specific students, although some prizes may be multi-year. Prizes that are paid by the Graduate School (and noted as "prize allocation" on Table B) are charged to 975-1xxx, whereas departmentally paid prizes are charged to 975-2xxx.

Next four digits of fellowship account numbers:

**1xxx** **General funds accounts.** The "1" represents general funds, even if endowment is involved. The three digits after "1" represent the department number (e.g. Art department would use 1115, Math would use 1215, and Economics would use 1140). For example, an academic year fellowship for an English student would be charged to 970-1190. A prize for an English student would be charged to 975-1190.

**2xxx** **Department funds.** The "2" represents department or program funds, even if endowment is involved. The three digits after "2" represent the departmental account number as noted above. Inter-departmental programs and funding sources (eg. PAW, Hellenic Studies, PIIRS, Latin American Studies, Cotsen, and others) use their designated number, which is often the case for the academic departments as well. For example, an academic year fellowship funded by PAW is charged to 970-2351. Likewise, an academic year fellowship paid from the Art Department's Simpson fund is charged to 970-2516.

**4xxx** The "4" represents external money from corporate or foundation sponsors. The three digits after "4" identify the specific **corporate or foundation account**. For example, the full account number for Ford Fellowships is 970-4182; Hertz Fellowships are identified with 970-4123; and so forth. In this example, 970 represents fellowships (see protocol, above), the "4" designates that it is a corporate or foundation sponsor, and the next three digits identify that sponsor.

**6xxx** The "6" represents external money from a government sponsor. The three digits after "6" identify the specific **government account**. Watch the cohort rules for some accounts such as Javits or NDSEG which require that all students who enter in a specific year be assigned the same account number throughout their fellowship duration. Alternatively, NSF and FLAS fellowships are assigned a different account number every year, but if a student receives the fellowship for more than one year, s/he is assigned the next year's account number. On the other hand, NJIT (New Jersey Institute of Technology) fellowships use the same account number year after year. Be aware that these rules vary according to the contractual and reporting requirements of the sponsor. An example of a government fellowship account is U.S. Navy 970-6048.

**Tuition component of AI appointments:** Always use 1901 as the last four digits. The first three digits correspond to the department number. Example: Classics will charge tuition for AI appointments to 135-1901.

**Tuition cost-sharing on AR appointments (research contracts):** Always use 1902 as the last four digits. The first three digits will correspond to the department/program. Example: Chemical Engineering will use 160-1902 for tuition cost-sharing, but a Chemical Engineering student who is being charged to a PMI research contract (such as 340-6102) would have the cost-sharing charged to 340-1902. The remaining tuition and full stipend amount will use the research contract account number.

### **Retroactive Changes in Grad Financial Support**

Changes in financial support can mean one of the following:

- A change from fellowship to AI and vice versa.
- A change from fellowship to AR and vice versa.
- A change from AR to AI and vice versa.

Of particular importance are changes in support between AI/AR and fellowship, especially at three times during the year. Any change in financial support after these times results in a retroactive adjustment to financial support. Retroactive adjustments affect the manner in which taxes were previously calculated, deducted and reported for the involved students, and must therefore be scrutinized very carefully. The three time periods after which any adjustments to financial support are considered retroactive are:

- At the conclusion of the calendar year, in December.
- At the conclusion of the fiscal year, in June.
- At the conclusion of a student's active enrollment status (graduated, terminated, leave of absence, etc.).

Changes that are made after these times have the following consequences:

- The change often affects tax withholding and reporting.
- The change can have a large impact on a student's net paycheck.
- Depending on the adjustment, the change can result in a student having either –
  - Substantially too much tax withheld (which can only be recovered with the filing of an income tax statement and/or amendment);
  - Substantially too little tax withheld (which exposes both the student and the University to potential IRS scrutiny and penalties).

Please refer to the applicable section below when making retroactive changes to graduate student financial support.

### **After the end of the calendar year (12/31/YY)**

#### **1. Adjustments from AI/AR to Fellowship, or from Fellowship to AI/AR --**

Requests for adjustments must be made in writing to the Graduate School and should not be entered into Labor Accounting. Requests should include a full explanation of the circumstances generating the

retroactive change. A print-out of the currently approved distribution screen should be marked up to indicate the requested changes and sent with the request to Dean Mawhinney. To offset potential IRS penalties, the academic department must include a departmental account number to be charged for the following:

- \$50.00 fee per student will be assessed by the Treasurer's Office for all adjustments.
- If additional tax withholding is due as a result of the adjustment, the department will be assessed an amount equal to 30% of the adjustment to be held in escrow (normally for three years) to offset any potential claims by the IRS against the University for under withholding. The Payroll Office will keep track of the escrow account's balance by student, date, department and payments made toward claims as documentation for possible future refunds to the department.

Once the Graduate School approves the request and the penalty is assessed, the Graduate School will enter and approve the transaction(s) on Labor Accounting, assuming that the transaction(s) do not reflect a date that precedes July 1 of the same fiscal year. *Example: a change requested in January 2009 can be made retroactive to July 1, 2008, but not before.*

**Historical University, Payroll and/or and financial reporting statements will not reflect the change in the prior time period. Labor Accounting will reflect the change.**

If approved, these adjustments will result in a corrected W-2C Form being issued to the student. The student will use this form to file or re-file his/her federal income tax statement and pay any taxes due.

**2. Adjustments from AI to AR or from AR to AI --**

Since these involve adjustments within the same type of wage payment, they do not face the same tax withholding and reporting conditions. The issue is not one of tax withholding but, rather, what activities the student was actually engaged in. You may make these changes directly on Labor Accounting and they will be approved, as long as there is an adequate explanation in the "Comments" section. You may only make changes within the same fiscal year. *Example: a change from AI to AR requested in January 2009 can be made retroactive to July 1, 2008, but not before.*

**3. Adjustments of account numbers only within categories of support --**

Since these involve adjustments within the same type of wage payment, they do not face the same tax withholding and reporting complications. You may make these changes directly on Labor Accounting and they will be approved, but only for the period within the same fiscal year or the immediate prior fiscal year. *Example: a change in AR account number requested in January 2009 can be made retroactive to July 1, 2007 without a journal voucher being required. Changes prior to July 1, 2007 require that a manual journal voucher be done by the Treasurer's Office.*

**4. Additional AI/AR or Fellowship Support**

Additional payments due to students for the previous fall term require that the adjustment be made as of January if at all possible (which is the final month of the fall term). This payment will be added to the gross amount that the student will earn for the new calendar year, thereby avoiding the need to re-run W2 statements and payroll records. If the payment cannot be made in January for the fall term, it will be added to the spring term amount. Use the comments section of Labor Accounting to write a detailed explanation.

Additional payments due to students for the spring term require that the adjustment be made in the remaining spring months so that the student receives the full amount by June 30.

Additional financial support must be reflected within the same fiscal year; that is, *a change requested in January 2009 can be made retroactive to July 1, 2008, but not before.*

**After the end of the fiscal year (6/30/YY)**

**1. Adjustments from AI/AR to Fellowship, or from Fellowship to AI/AR --**

No changes will be approved.

**2. Adjustments from AI to AR or from AR to AI –**

No changes will be approved.

**3. Adjustments of account numbers only within categories of support –fellowship to fellowship, AI to AI, or AR to AR.**

It is recognized that research account numbers and, occasionally, fellowship account numbers occasionally change. This is caused by multiple beginning and end dates for research and fellowship contracts, the need for start-up funds and/or advances to be transferred to legitimate accounts, and other reasons. Generally, as long as the financial support remains within the same fund group, the adjustment will be allowed. This means that the two-digit fund of 10, 20, 40 or 60 must not change in order for the transaction to be approved. In rare cases will the Graduate School authorize a transaction from one fund account number to another fund account number (generally, these are cases of preliminary cost-sharing on research contracts where the final contract does not allow for it).

**4. Additional AI/AR or Fellowship support –**

**No changes will be approved.**

**After the end of a student's active status**

**1. Adjustments from AI/AR to Fellowship, or from Fellowship to AI/AR –**

If the adjustment results in additional federal and/or state tax withholding being due, the department will be assessed the additional tax that is due.

If the adjustment results in a retroactive reduction of financial support (that is, to correct an overpayment to a student), the student must first repay the amount due before the transaction will be processed.

**2. Adjustments from AI to AR or from AR to AI**

If the adjustment results in additional federal and/or state tax withholding being due, the department will be assessed the additional tax that is due.

If the adjustment results in a retroactive reduction of financial support (that is, the new rate is lower than the former rate), the student must first repay the amount due before the transaction will be processed.

## **Basic Tax Guidelines**

In very general terms, the following U. S. tax rules apply:

### **Tuition and Stipends**

- Tuition is always considered fellowship, even when it is part of a teaching or research appointment. It is therefore not taxable in the United States. The Payroll Office notes the tuition fellowship on pay stubs as “imputed income”, but they do not deduct taxes nor report the amount of the tuition benefit to the IRS.
- Fellowship stipends are considered taxable income to the federal government, but not to the State of New Jersey. The Payroll Office does not deduct federal tax, nor does it report the amount of the stipend to the IRS for U.S. citizens or permanent residents. For international students, 14% of the stipend amount is withheld and reported to the IRS, but New Jersey state tax is not withheld or reported. It is up to all students to file income tax forms with the federal government and to pay any taxes due at year-end (by the April 15 filing deadline). U.S. students and permanent residents are required to file quarterly income tax statements and to make quarterly tax payments to the IRS.

Note that the United States honors tax treaties with many foreign countries, which allow students to receive fellowship income that is not taxable. In addition, there are some rare exceptions where international agencies pay a portion of the stipend for their international students to study in the U.S. (most notably, the World Bank). In these cases, the exempted amount is not taxed, but amounts above the exemption are taxed at 14%.

- Stipends paid for research (AR) and/or instruction (AI) are considered pay-for-work and the amounts are taxable. The Payroll Office withholds taxes based on the W-4 form that is filed by the student at registration, and these amounts are paid to and reported to the federal government. The same rules apply to U.S. and international students. The State of New Jersey also withholds taxes on pay-for-work.
- Hourly employment is also considered pay-for-work. Federal and state taxes are withheld and reported.
- Social Security taxes are not withheld for any work performed while the student is considered a full-time student. For students who are assigned as assistants in research during the summer, Social Security tax is withheld because the summer session is not considered an enrollment period and the student cannot be considered a full-time student during these months.

Social Security tax is not withheld from fellowship stipends, even in the summer months.

### **Travel**

- Funds paid to students who travel are taxable unless the student is traveling on University business associated with research.
- Students who travel on University business that is associated with research may receive travel funds that are not taxed. In this event, one of two paper processes must be followed:
  - The Student Voucher must be checked where it says “*Non-Educational Payments: Business Related Expenses, for Assistants in Research*”. Either the department manager or the faculty member whose research is affected must sign the voucher attesting to the fact that the student is traveling for purposes of business.
  - An Employee Travel Voucher must be submitted. As with the Student Voucher, either the department manager or the faculty member whose research is affected must sign the voucher attesting to the fact that the student is traveling for purposes of business.

The graph below shows the taxability of different forms of payments.

<b>U.S. Citizens and Permanent Residents</b>							
Payment Type	Student Must Pay	Federal Taxes		Student Must Pay	State Taxes		
		Princeton Payroll Office			Princeton Payroll Office		
		Withholds	Reports		Withholds	Reports	
FELLOWSHIP TUITION	No	No	No	No	No	No	
<u>STIPENDS</u>							
Fellowship	Yes	No	No	No	No	No	
Assistantship in Instruction	Yes	Yes	Yes	Yes	Yes	Yes	Pay for work
Assistantship in Research	Yes	Yes	Yes	Yes	Yes	Yes	
Assistant Master	Yes	Yes	Yes	Yes	Yes	Yes	
HOURLY WORK	Yes	Yes	Yes	Yes	Yes	Yes	
TRAVEL:							
University business (ARs only)	No	No	No	No	No	No	
Non-University business	Yes	Yes	Yes	No	No	No	

If "YES" is noted, withholding is at the graduated rates determined by your filing status on IRS form W-4.

<b>Non-U.S. Citizen, Non-Resident International Students</b>						
Payment Type	Student Must Pay	Federal Taxes		Student Must Pay	State Taxes	
		Princeton Payroll Office			Princeton Payroll Office	
		Withholds	Reports		Withholds	Reports
FELLOWSHIP TUITION	No	No	No	No	No	No

<u>STIPENDS</u>			(As of 1/1/2001)				
Fellowship	Yes	14%	Yes	No	No	No	
Assistantship in Instruction	Yes	Yes	Yes	Yes	Yes	Yes	Pay for work
Assistantship in Research	Yes	Yes	Yes	Yes	Yes	Yes	
Assistant Master	Yes	Yes	Yes	Yes	Yes	Yes	
HOURLY WORK	Yes	Yes	Yes	Yes	Yes	Yes	
TRAVEL:							
University business (ARs only)	No	No	No	No	No	No	
Non-University business	Yes	14%	Yes	No	No	No	
If "YES" is noted, withholding is at the graduated rates determined by your filing status on IRS form W-4. A tax treaty with the U.S. may override or supercede this withholding information.							