

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.