

Financial Operations Guidelines

PRIZE AND AWARD PAYMENTS

TO STUDENTS AND NON-EMPLOYEES

Purpose of Guidelines

These guidelines govern the processes for prizes and non-financial aid awards to students and non-employees. The guidelines provide streamlined processing for prize and non-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 the 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.

Contacts

If you have any questions on the Prize and Award Guidelines for Payments to Students and Non-Employees, you may contact:

Ingrid Stafford
Vice President of Financial Operations and Treasurer
Phone: 847-491-7350
E-mail: i-stafford@northwestern.edu

Nancy Pinchar
Senior Advisor, Financial Operations
Phone: 847-491-4724
E-mail: n-pinchar@northwestern.edu

Angela Gwinn
Non-Resident Tax Specialist
Phone: 847-461-7204
E-mail: a-gwinn@northwestern.edu

Richard Emrich
Director of Treasury Operations
Phone: 847-467-0422
Email: r-emrich@northwestern.edu

Definitions

Award	An award is a payment to an individual in recognition of distinguished work or accomplishment. The award may be given upon nomination or as the result of a contest. It may also be a payment granted upon application for funding a project as through a grant awarding process. See departmental research awards.
Gift	A voluntary payment given in appreciation, or for no value in exchange. See gift guidance under “Travel, Entertainment & Courtesy” and “Charitable Donations by the University” policies. Preloaded debit card from an external vendor that allows the cardholder to use the card for the purchase of goods or services.
Gift card	
Honorarium	An honorarium is a rare type of payment used to confer distinction or to express respect, esteem or admiration for the recipient.
Prizes	Payments for achievement, merit or contest winner.
Departmental research awards	Funds awarded by a department for student research projects that are unassociated with a specific course but are under the review of faculty. The intention is to support additional study by a student in their area of interest and enrich their academic experience. An academic advisor monitors the project to ensure funds are used for the purpose of the study and that the project is completed. Departmental research awards to students are processed through Payroll.

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 1042-S) 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 are 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 (e.g., travel) are non-taxable only if payments are made as reimbursements and 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

- [Petty cash](#)
- [Check](#)
- [Stored Value Card](#) (plastic or virtual)
- 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

- **Checks** through [Accounts Payable](#) procedures (US residents only)
 - The recipient is required to provide personal identifiable information in order to be added to the vendor table.
 - Information on adding a vendor can be found in the [Add a Vendor](#) section Procurement and Payment website.
- Checks through Payroll procedures for non-residents
 - The Prize/Award Packet for [Non-Residents](#) must be completed for non-residents.
 - The form requires the recipient to provide personal identifiable information.
 - Consult with Payroll for special circumstances.

Additional details on Accounts Payable and Payroll processing procedures can be found at the [Purchasing and Payments Methods Quick Reference](#) website.

Streamlined Payments for Prizes & Awards- \$100 or less (annual limit)

Cash Payments - \$100 or less (annual limit)

- The [Prize and Award Cash Payment Form](#) or an equivalent must be used to document the distribution of the funds and the recipients' acknowledgement of the annual \$100 limit.
- Petty cash funds or cash advances may be used.

Cash Payments – exceeding \$100

Department personnel must apply for an exception to provide cash payments that exceed \$100. Exceptions may be granted under special and unusual circumstances and only if future payments to the recipient will not recur—that is, they are expected to be one-time only during the calendar year. Process for an exception:

- The requestor must submit an exception request via email addressing the following:
 - The reason for the exception and the rationale for the payment exceeding \$100
 - The number of recipients who will receive payments in excess of \$100
 - The date(s) of the distribution

- Exceptions for payments to be made from non-sponsored chart strings should be sent via e-mail to [Nancy Pinchar](#).
- 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 non-travel 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.

Purchasing Stored Value Cards

- The number of stored value cards should equal the number of recipients to be paid.
- Stored Value Cards may be purchased from Depository Services using the [Prize and Award Stored Value Card Request Form](#).
- The [Prize and Award Cash Payments Form](#) or an equivalent must be used to document the distribution of the cards.

Purchasing Gift Cards

- The number of gift cards should equal the number of recipients to be paid.
- Gift cards may be purchased from an external vendor using a requisition, petty cash fund, or procurement card.
- If a gift card is used as the payment do not use personal funds to purchase the cards.
- The [Prize and Award Cash Payments Form](#) or an equivalent must be used to document the distribution of the cards.

Sponsored Project Considerations

The initial purchase of cards must be charged to a non-sponsored chart string, unless an exception has been obtained from ASRSP.

- After the cards have been distributed to the recipients, the actual expense can be allocated to the appropriate sponsored chart string via a correction journal.
- A correction journal is initiated via the NU Portal, see processing steps for [correction journals](#).
- The supporting documentation for the correction journal should follow the guidelines in the Documentation for Distribution of Payments section. The supporting documentation must attached via the NU Portal.
- Exception requests should be sent to [Karen Spina](#).

Unused Stored Value Cards/Gift Cards

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

- If there are remaining stored value cards, Depository Services must be contacted to process returns.
- 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 the 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

- 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

- The documentation may be in the form of a log. This documentation should include all of the following:
 - The name of the recipient
 - Amount disbursed
 - Date of the disbursement
 - Acknowledgment of receipt of funds (i.e. signature of the recipient)
 - Acknowledgment of distribution (i.e. signature from the responsible administrator)
 - The recipient's relationship to the University (e.g. employee).
- 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.
- Personal identifiable information should not be submitted to Accounts Payable, such as documentation that contains the recipient's Social Security number. This documentation should be securely maintained by the requestor.
- Copies of the documentation must be retained for audit purposes. The [Retention of University Records](#) should be consulted for details.

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 Payments Form](#)

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

[Form 1040 U.S. 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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