

Information Regarding Pay for Summer Research Students and Sponsoring Faculty

There are two types of payment the student may receive:

- **Fellowship** - Student is working on her own research project – the professor is providing guidance to the student. Most summer research students receive fellowships.
- **Employee** - Student is working for the faculty member. (see page 2 for additional information about the differences between fellowship vs. employment),

How Summer Research Students will get paid:

Payments to students participating a summer research program, whether at MHC or at an off-campus location, will be made in one lump sum prior to the end of the semester. The designation of the status of payment to the student as being “fellowship” vs. “employment” will be made by the Faculty Advisor/Program Coordinator and will determine the type of payment received by the student.

Fellowship payments will be made through Accounts Payable and will be made by check delivered to the student’s campus mail box. U.S. students receiving fellowship payments are not subject to tax withholding on the fellowship and MHC is not required to issue a Form 1099. The student is responsible for reporting the amount she receives as well as the value of any housing provided to her on her federal and state tax returns.

Employee payments will be made through the Payroll Office. If a summer research student is an employee, she will be paid every two weeks as per standard student payroll process. Payment will be made in the same manner that any previous job through payroll/job-x was paid. For example, if a student is currently employed on-campus and currently has her check direct deposited, her paychecks for summer research will be direct deposited. If a student has not previously been employed by MHC and has never received payment through payroll/job-x, her checks will be delivered to her student campus mail box.

Students being paid through payroll will have all appropriate taxes withheld (state, federal and, in the case of US students, FICA) and a W-2 will be issued at year end for tax purposes. International students are exempt from paying FICA while on F-1 visa status.

International Student payments to students from countries that do not have a tax treaty with the U.S. will be subject to withholding at a rate of 14%. The value of housing provided is considered a taxable benefit and will also be subject to withholding for these students. International students will be issued a Form 1042-S at the end of the year, which they will need to file their taxes.

On Campus Housing Expense: Expenses will only be covered by MHC for the period of the research (+1 day before/after the start/end date). There will be a charge for the entire duration of a student’s housing reservation dates, regardless of whether the student actually occupies the room for that entire period. Any additional time a student stays in housing will be her financial responsibility and billed to her account at a rate of \$100/week or \$15/day. A student must request any additional time in housing directly from the Office of Residential Life, and such housing is subject to availability at the time of the request. Note that on-campus housing will be extremely limited after August 15.

WHAT IS THE DIFFERENCE BETWEEN PAYROLL AND FELLOWSHIP?

Why does it matter if students are paid as employees or as a fellowship?

IRS rules require that we properly categorize payments to individuals, and the College can be penalized for improper classification. It is also possible that students could run into visa issues as a result of improper classifications.

There are a number of differences, both to the institution and the individual, between the two types of payment. Some of these are:

	Employee	Fellowship
Student covered by workers compensation	Yes	No
Student covered by social security (FICA) (US students only)	Yes	No
Student can be reimbursed for business expenses	Yes	No
Salary overhead charged to grant	Yes	No
Visa restrictions may apply (International students only)	Yes	No
Earnings subject to W-2 reporting	Yes	No
Earnings subject to withholding for income tax and FICA	Yes	No

You will note that some of these differences may make one classification appear more favorable than the other, depending on what it is that one is considering most important. However, these are outcomes of the proper characterization of payments—they are not permissible in determining the characterization.

How to determine whether a student should be classified as an employee or a fellowship payment?

The easiest way to determine how to classify a student for payment is to ask the following questions:

1. Am I directing the work?
2. Is it my research that I plan on using in publication or at a conference?
3. Is the major benefit of the work going to benefit me and/or the College?

If the answer to the above questions is **YES** then the student should be on payroll.

The other questions you can ask to prove that the payment is a fellowship:

1. Is the payment for research that the student is undertaking?
2. Am I only acting as a “mentor” to the student?
3. Is the benefit primarily to the student?