

Student Employment Payroll & Personnel Procedures

The procedure is meant to serve as a guideline for the Payroll and Personnel departments when setting up and paying student workers.

Types of Stipends

Definition of Stipend

- A lump sum of money, as per amount specified in contract, paid to a student over a set period of time for teaching, research, or completing some other degree requirement.
1. Fellowship / Scholarship Stipend
 - A payment made to students whose purpose is to complete studies but no service element is defined. The two words, fellowship and scholarship, are used interchangeably by the Internal Revenue Service (IRS) to refer to both taxable and non-taxable payments to students.
 - These amounts would be paid through Accounts Payable (A/P).
 2. Employment Stipend
 - This type of stipend represents a salary where a service element is defined (employment).

Types of Student Employment (paid as an employment stipend or hourly):

[UA Board of Regent's Policy P09.05.020](http://www.alaska.edu/bor/policy/09-05.doc) (<http://www.alaska.edu/bor/policy/09-05.doc>) states that in order to be eligible for student employment, graduate and undergraduate students must be enrolled in a minimum of six credit hours in the current semester of employment or have been enrolled the preceding semester for six or more credit hours and demonstrate plans to enroll for six or more credit hours in the next semester for employment between semesters.

- a. Graduate Research Assistants:
 - Those graduate students performing research in the course of fulfilling requirements of an advanced degree under faculty supervision who are paid a stipend for work performed (normally performed while they are obtaining the advanced degree) are not considered for purposes of FLSA to have an employee-employer relationship, and therefore there is no application of the minimum wage and overtime pay provisions of the FLSA.
 - The IRS does consider this money received as compensation for services and thus these payments should be paid through Payroll.
 - If on a restricted fund grant, percent of effort needs to be tracked for grant effort reporting.
 - These students would be paid on an employment stipend. If the campus chooses to pay the student hourly then an employer-employee relationship is created, the minimum wage and overtime pay provisions of the FLSA standards apply, and they would be classified as an SN/ST.
- b. Graduate Teaching Assistants:
 - Those graduate students teaching courses whose primary duty is teaching, tutoring, instructing or lecturing in the activity of imparting knowledge are exempt under the

Student Employment Payroll & Personnel Procedures

- professional exemption of the FLSA; therefore, there is no application of the minimum wage and overtime pay provisions of the FLSA.
- Paper graders do not qualify and should be treated as non-exempt.
 - If on a restricted fund grant, percent of effort needs to be tracked for grant effort reporting.
 - These students would be paid on an employment stipend. If the campus chooses to pay the student hourly then the minimum wage and overtime provisions of the FLSA standards apply, and they would be classified as an SN/ST.
- c. Graduate Assistants:
- Those graduate students that have requirements other than teaching or research that are specified in their contract as a condition of completing their degree program.
 - These students would be paid hourly. They are subject to the minimum wage and overtime pay provisions of the FLSA under both scenarios.
 - If on a restricted fund grant, percent of effort needs to be tracked for grant effort reporting.
- d. Student Workers:
- These students can be an undergraduate or graduate student and are not exempt under the FLSA; therefore, they would be subject to the minimum wage and overtime pay provisions of the FLSA.
 - These students should be paid hourly.
 - Examples: General office work, Basic computer programming, Interns with the legislature, service, maintenance, etc.
- e. Residence Hall Assistants (RA)
- RA Benefit – Students serving as residence hall assistants or dormitory counselors, who are participants in a bona fide educational program, and who receive remuneration in the form of reduced room or board charges, free use of telephones, tuition credits, and the like, are not employees under the Act. RA benefits are not considered taxable income. Since this benefit is provided to the student for the convenience of the University, and the meals are furnished on the University premises, and the RA is required to live in an assigned room in the dormitory as a condition of their benefit, it is tax free.
 - RA Compensation – Those who provide additional services, such as manning the front desk, in anticipation of some compensation (money, meals, etc.) are generally considered employees under the Act and the minimum wage and overtime pay provisions of the FLSA would apply to these services. The RA should be paid for the additional services on an hourly basis. If the RA has an option to receive either additional compensation for the lodging or the lodging itself or performs other duties for additional compensation, then the amount of the optional additional compensation is includable in taxable income.
- f. Students Working Two Jobs

Student Employment Payroll & Personnel Procedures

- Students holding two jobs that are classified differently for FLSA purposes, thus one is normally exempt and the other is normally non-exempt, should be referred to the Human Resources office for exempt status determination.

Note: If a department chooses to pay a graduate teaching or research assistant by the hour, thus treating them as a non-exempt employee, then they are subject to the minimum wage and overtime pay provisions of the FLSA and should be classified as an SN/ST.

FICA Tax Exemption (Taxable vs. Non-taxable):

Student employees generally are exempt from both Medicare and OASDI taxes, i.e. FICA taxes when employed during the academic year. However, in order to qualify for this exemption, students must meet certain requirements. These requirements relate both to the number of credit hours in which the student is enrolled and to the specific position the student employee occupies.



Note that this exemption applies only to UA students employed by UA. UA students working for other employers are not exempt from FICA taxes. Students enrolled at other schools or universities, but working for UA, also are not exempt from FICA taxes.

In order to qualify for the FICA exemption according to the IRS, a student must be enrolled at least half-time. For undergraduates, "half-time" is 6 credit hours and for graduates, "half-time" is 4.5 credit hours, regardless of the academic term. Students are also deemed to be half-time if they are in their last semester of a course of study requiring at least two semesters to complete the requirements for obtaining a degree, certificate, or other recognized educational credential. [UA Board of Regent's Policy P09.05.020 \(http://www.alaska.edu/bor/policy/09-05.doc\)](http://www.alaska.edu/bor/policy/09-05.doc) states that in order to be eligible for student employment, graduate and undergraduate students must be enrolled in a minimum of six credit hours in the current semester of employment or have been enrolled the preceding semester for six or more credit hours and demonstrate plans to enroll for six or more credit hours in the next semester for employment between semesters.

According to the [UA Board of Regent's Policy P09.05.030 \(http://www.alaska.edu/bor/policy/09-05.doc\)](http://www.alaska.edu/bor/policy/09-05.doc), student employment will normally not exceed 20 hours per week during a semester or 40 hours per week between semesters or during summer sessions. Regular and reoccurring exceptions to this schedule must be made in writing and approved in advance by the MAU chancellor or his/her designee. Notification of approved exceptions must be sent to the MAU Human Resources office. The MAU chancellor or designee can only approve a workload of more than 20 hours and cannot approve whether the student qualifies for the FICA tax exemption. If a student is approved to work more than 20 hours, the student will not qualify for the FICA tax exemption. The only exception is a student can still qualify if they work more than 20 hours during breaks or between academic terms lasting less than five weeks. Foreign nationals on temporary student visas cannot work more than 20 hours during the academic year per limitations of the visa regulations. They are not eligible for waivers.

Student Employment Payroll & Personnel Procedures

Students may be employed during breaks between academic terms lasting less than five weeks and maintain their FICA non-taxable status.

In order to be exempt from FICA taxes, the student cannot be employed in a position that would normally be classified as "career employment." This means the student cannot be in a full-time position or working full-time because such services are not incident to and for the purpose of pursuing a course of study. They cannot be in a "professional" position or one that is eligible for benefits and still be FICA exempt.

DOL Standards for Exempt Employees (FLSA2005-46):

- "An exempt employee must receive the full salary for any week in which the employee performs any work without regard to the number of days or hours worked. ... If an employee is ready, willing and able to work, deductions may not be made for time when work is not available" (29 C.F.R. § 541.602(a)).
- "Deductions may be made 'when an exempt employee is absent from work for one or more full days for personal reasons, other than sickness or disability. Thus, if an employee is absent for two full days to handle personal affairs, the employee's salaried status will not be affected if deductions are made from the salary for two full-day absences. However, if an exempt employee is absent for one and a half days for personal reason, the employer can deduct only for one full-day absence'" (29 C.F.R. § 541.602(b)(1)).
- "A public sector employer may establish a pay system that includes salary deductions for absences of less than a day for FLSA-exempt employees. Such a pay system must be 'established by statute, ordinance, or regulation, or by a policy or practice established pursuant to principles of public accountability, under which the employee accrues personal leave and sick leave'" (29 C.F.R. §541.710(a)). Student workers at the University of Alaska do not accrue leave.
- "An employer may not make deductions 'for absences occasioned by the employer or by the operating requirements of the business.' If the employer closes operations due to a weather-related emergency or other disaster for less than a full workweek, then the employer must pay an exempt employee 'the full salary for any week in which the employee performs any work without regard to the number of days or hours worked' because 'deductions may not be made for time when work is not available'" (29 C.F.R. § 541.602(a)).

Conclusion: Graduate Research Assistants and Graduate Teaching Assistants are considered exempt for purposes of the FLSA and thus there is no application of the minimum wage and overtime pay provision of the FLSA. Percentage of effort needs to be tracked, especially if the position is being financed by a grant in which case they are needed for grant effort reporting.

It is the employer's right to require timesheets from all employees whether exempt or non-exempt so long as it is not used to adjust exempt employees' pay for the time worked. Employers are required to pay exempt employees their "full salary for any week in which the employee performs any work without regard to the number of days or hours worked." However, so long as the business is open and work is available deductions may be made when an exempt employee is

Student Employment Payroll & Personnel Procedures

absent from work for personal reasons, other than sickness or disability. Given this, we could still require all graduate student employees to submit timesheets and not pay them for weeks in which they don't work as long as the university is open and work is available in such a week.

The student's appointment letter needs to specify whether or not the student will be paid for Christmas break, Spring break, etc. if the appointment is going to cover multiple semesters. Another option is for appointment letters to be done on a semester basis and thus not covering the breaks.

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Student Employment Payroll & Personnel Procedures

Data Entry Guidelines used to determine taxable status:

This chart assumes that the student's eligibility to work has already been verified and the student meets the criteria as defined by the job title. See [UA Board of Regent's Policy P09.05.020](http://www.alaska.edu/bor/policy/09-05.020) (<http://www.alaska.edu/bor/policy/09-05.doc>) for enrollment and student employment eligibility requirements.

CRITERIA				RESULTS				
Title	Payment type	Semester Credit Hours	Weekly Hours Worked	FICA Taxable	ECLS	PCLS	Regular Account Code	W/S Account Code
Grad Teaching	Stipend	≥6	≤20	N	GN	8060	1643	1646
	Stipend	<6	>20	Y	GT	8060	1644	1647
	Stipend	≥6	>20	Y	GT	8060	1644	1647
	Stipend	<6	≤20	Y	GT	8060	1644	1647
Grad Teaching	Hourly	≥6	≤20	N	SN	8080	1643	1646
	Hourly	<6	>20	Y	ST	8080	1644	1647
	Hourly	≥6	>20	Y	ST	8080	1644	1647
	Hourly	<6	≤20	Y	ST	8080	1644	1647
Grad Research	Stipend	≥6	≤20	N	GN	8050	1643	1646
	Stipend	<6	>20	Y	GT	8050	1644	1647
	Stipend	≥6	>20	Y	GT	8050	1644	1647
	Stipend	<6	≤20	Y	GT	8050	1644	1647
Grad Research	Hourly	≥6	≤20	N	SN	8075	1643	1646
	Hourly	<6	>20	Y	ST	8075	1644	1647
	Hourly	≥6	>20	Y	ST	8075	1644	1647
	Hourly	<6	≤20	Y	ST	8075	1644	1647
Grad Asst.	Hourly	≥6	≤20	N	SN	8070	1643	1646
	Hourly	<6	>20	Y	ST	8070	1644	1647
	Hourly	≥6	>20	Y	ST	8070	1644	1647
	Hourly	<6	≤20	Y	ST	8070	1644	1647
Undergraduate	Hourly	≥6	≤20	N	SN	Note 1	1640	1646
	Hourly	<6	>20	Y	ST	Note 1	1641	1647
	Hourly	≥6	>20	Y	ST	Note 1	1641	1647
	Hourly	<6	≤20	Y	ST	Note 1	1641	1647

Note 1: 9020, 9030, 9040, 9000, 9090, 9095, 9100

W/S = Work Study

Student Employment Payroll & Personnel Procedures

Current UA Practice:

All MAU's:

- GT/GN assigned if the student has a graduate stipend as defined by the graduate office or department.
- ST/SN assigned for all others.

UAF:

- All graduate stipends are defined by the graduate office.
- Job titles are developed by the department and the graduate office approves them.
- Departments look at type of program and number of credit hours to ensure eligibility.
- Paid in lump sum amount for pay period.
- Allows students to work in the summer as long as they are enrolled in for fall. All other semesters, students must be enrolled.

UAA:

- Graduate stipends are defined by the departments.
- Job titles are developed by the department.
- Stipends are set up semester by semester.
- Paid in lump sum amounts per pay period or hourly, depending on contract letter and desire of department.
- Allows students to work during summer semester if enrolled or were enrolled in previous semester and next semester. All other semesters, students must be enrolled.

UAS:

- No graduate student workers at the time this procedure was written.
- Allows students to work in the summer as long as they are enrolled in for fall. All other semesters, students must be enrolled.

Problems & Solutions Discussed:

- **Problem** – The departments are defining the job titles so there could be inconsistencies in determination of category.
- **Solution** – Created a procedure to help guide the departments as to who fits in each category.
- **Problem** - Payments are being made two ways according to contracts, by stipend or hourly.
 - Both need to be able to report hours or percent of effort if on restricted funds.
- **Solution** – Use PCN's to distinguish between stipend and hourly. Create a separate earnings code for hourly vs. stipend amounts. Use 1643 and 1644 account codes. All would get generic non-exempt timesheets.
- **Problem** – A graduate pay scale currently does not exist.

Student Employment Payroll & Personnel Procedures

- **Solution** – Class & Comp is going to create a graduate pay scale. In the meantime, use step 0 with the same pay they are currently receiving for Graduate student workers being paid on an hourly basis and set up in an SN / ST ECLS. Only use GN/GT for graduate student workers being paid on a stipend.
- **Problem** – All graduate workers are currently using non-exempt time sheets, which causes confusion since the teaching and research assistants don't track hours.
- **Solution** - Change time sheets for Graduate Teaching and Research Assistants to exempt time sheets.
- **Problem** – There are inconsistencies as to when campuses are paying individuals hourly and when they are paying them on a stipend.
- **Solution** - If a student worker is exempt, he/she should be paid by a stipend. If student worker is non-exempt, he/she should be paid hourly.
- **Problem** – Students as well as staff do not always understand how students qualify for the FICA tax exemption. Staff doesn't always understand that work has to be incident to study and students don't always understand what the implications of not contributing to FICA can be.
- **Solution** - Define when students qualify for the FICA tax exemption – credit hour limits, etc. as part of procedure. Need to communicate to students what non-taxable means. Maybe add to student verification form. Explain to them they will not receive Social Security benefits or services during that time. Modify employee form for students.
- **Problem** – The departments don't know what to do with the timesheets.

Department Involvement Needed:

- Change Graduate Assistants to hourly.
 - UAA would have to go through Academic Affairs for approval.
 - UAF would have to go through the Graduate Office for approval.

Next Steps:

- Discuss in HRC Meeting
- Discuss in Student Affairs Committee
- Discuss in Graduate Offices @ MAU's