

TRAINING TOOLKIT:

Changes in Graduate Student Payments and 506 Forms Effective January 1, 2017



Current Practice

- Currently, most appointments for graduate students (PhD and masters students) are through the 506 form.
- Appointments are made using one or several job codes:
 - e.g. Fellowship-0999, Graduate Asst (Svc)-0105, Graduate Teaching Asst (Svc)-0089, Graduate Research Asst (Svc)-0103, Vis Grad Student (Svc)-0100, etc.
- All pay is in the form of a stipend with taxes withheld.
- These appointments include a wide variety of different activities in which everything falls into the same catch-all bucket.
- Recent changes in federal law and University practice have made this system untenable.



Why It's Changing

We need to better distinguish between graduate student activities being performed.

There are several reasons for this:

- **The Affordable Care Act (ACA):** This act requires that we track hours for employee health care eligibility, which could include graduate students.
- **The Federal Labor Standards Act (FLSA):** This act requires that we distinguish between hourly and salaried employees. There are several considerations, including whether the employee is teaching.
- **Taxable Income:** The University must correctly withhold (or not) on payments received by graduate students.
- **Effort Certification for Grant Reporting:** The University must ensure that appropriate documentation exists for sponsored project expenditures.

The requirements of these various laws and regulations can be contradictory and are certainly confusing.



New Graduate Job Categories at a Glance



Overview of New Job Categories for Domestic Graduate Students*

New Job Category:	Grad Fellowship / Stipend	Grad Assistantship	GA Add-On	Grad TA Add-On
Job Code	6000	6002	6004	6006
Funding Source:	Fellowship/training grant or institutional funds	Sponsored project as at least one source	Varying sources	Varying sources
Type of Payment:	SMO	SMO	BWH	SMO or BWH
ACA Applicable?	No	No	Yes	Yes
SSN Needed?	No	No	Yes	No
Taxable?	Yes	Yes	Yes	Yes
W2 / Federal & State Tax Withheld?	No	No	Yes	Yes
FICA Withheld?	No	No	No	No
Dean's Review and Approval?	Yes	Yes	Yes	Yes
Effort Certification?	No	Yes	Yes	No**

*Includes U.S. Residents and Resident Aliens for Tax Purposes (see Glacier)

**Unless paid from a sponsored project in which case effort certification is required



Overview of New Job Categories for International (Non-Resident Alien) Graduate Students

New Job Category:	Grad Fellowship / Stipend	Grad Assistantship	GA Add-On	Grad TA Add-On
Job Code:	6000	6002	6004	6006
Funding Source:	Fellowship/training grant or institutional funds	Sponsored project as at least one source	Varying sources	Varying sources
Type of Payment:	SMO	SMO	BWH	SMO or BWH
ACA Applicable?	No	No	Yes	Yes
SSN Needed?	No	No	Yes	Yes
W2 Reportable?	No	No	Yes – if NOT eligible for treaty benefit	Yes – if NOT eligible for treaty benefit
Federal & State Tax Withheld?	Yes – unless eligible for treaty benefit	Yes – unless eligible for treaty benefit	Yes – unless eligible for treaty benefit	Yes - unless eligible for treaty benefit
1042-S Reportable?	Yes	Yes	No – unless eligible for treaty benefit	No - unless eligible for treaty benefit
FICA Withheld?	No	No	No	No
Dean's Review and Approval?	Yes	Yes	Yes	Yes
Effort Certification?	No	Yes	Yes	No**

*Eligibility for treaty benefit depends on whether the student's country of residence has a tax treaty with the U.S. and that student submits Forms W-8 BEN and/or 8233 to Payroll.

**Unless paid from a sponsored project in which case effort certification is required



Graduate Student Payments



New Job Categories

As of January 1, 2017, graduate student appointments on the 506 form will be separated into the following job categories:

- **Grad Fellowship / Stipend:** Paid on salary (SMO) basis and disbursed over a specified period of time (e.g. 6 mos, 12 mos, etc.)
- **Grad Assistantship:** Payment in lieu of wages that is paid on a salary (SMO) basis and disbursed over a specified period of time (e.g. 6 mos, 12 mos, etc.)
- **Graduate Assistant, Add-On:** Wages paid hourly (BWH)
- **Grad Teaching Assistant, Add-On:** Wages paid on salary (SMO) basis (can be hourly [BWH] if preferred)
- **Resident Advisors:** Paid on a salary (SMO) basis and disbursed over a specified period of time (e.g. 6 mos, 12 mos, etc.)



New Job Categories (cont'd)

In addition to the main job categories mentioned in the previous slide, you will also see these job categories for visiting graduate students on the 506:

- **Grad Fellowship / Stipd, Visiting:** Same as Fellowship / Stipend but specifically for visiting students
- **Grad Assistantship, Visiting:** Same as Assistantship but specifically for visiting students
- **Graduate Assistant, Add-On Visiting:** Same as Add-On GA but specifically for visiting students



Grad Fellowship / Stipend

- Activity is required by the academic program
- Job code: 6000
- Considered non-service for ACA reporting
- Funding source is a fellowship, training grant or institutional funds (e.g. departmental, faculty, or otherwise)
- Funding source is NOT from a sponsored project
- Payment is a stipend distributed on a salary (SMO) basis
- Taxable income for the students, but the University will NOT withhold tax; there will be no W-2 for these appointments
- No effort certification required
- Students do NOT need to track hours



Examples of a Grad Fellowship / Stipend Appointment

- Individuals on NIH Kirschstein NRSA training grants (T-series)
- NIH Kirschstein NRSA pre-doctoral fellowships (F-series)
- Sproull or Provost fellowships
- American Heart Association pre-doctoral fellowships
- Individual fellowships paid by institutional funds (departmental, school)



Grad Assistantship

Same as a Grad Fellowship / Stipend EXCEPT:

- Job code: 6002
- Sponsored project is at least one of the funding sources
- Payment is considered in lieu of wages, is not technically a stipend, and is paid on a salary (SMO) basis
- Effort certification is required



Examples of a Grad Assistantship Appointment

- Activities funded by sponsored projects (could be funded by federal, state, foundation, etc.)
- Research funded by federal research grants (R-series, U-series, P-series)



Grad Assistant, Add-On

- An **additional** activity that is not required by the academic program; considered for-service (employee) relationship
- Job code: 6004
- Funding can come from varying sources (e.g. institutional funds, federal grant, research grant, etc.)
- Payment is made on an hourly basis; based on actual reported time
- Income tax will be withheld; W-2 reportable
- Effort certification required if a sponsored project is at least one of the funding sources



Examples of GA, Add-On Appointments

Anyone conducting research in a laboratory or providing general assistance to a department or faculty member when the work is not required by the student's academic program, including:

- Conducting lab experiments
- Data entry of research data
- Clerical work in a department
- Organizing sheet music or maintaining instruments
- Assisting a professor in preparing for a lecture



Grad Teaching Assistant, Add-On

Same as GA, Add-On EXCEPT:

- Job Code: 6006
- Payment can be on a salary basis (SMO) or on an hourly basis (BWH).
- Each TA appointment will be considered the equivalent of 10 hours/week of work if paid as salary.
- Effort certification required but ONLY IF paid from a sponsored project (very unlikely).



Examples of Grad TA, Add-On Appointments

- Anyone assisting with the teaching of a course (e.g. running discussion session) when not explicitly required by a program



Resident Advisors

Resident Advisors will also be appointed on the 506 form and will receive a new job code.

- Appointment given to University of Rochester students serving as Resident Advisors in the dormitories (an **additional** activity that is not required by the academic program)
- Job code: 6007
- The student is provided housing
- Payment is on a salary basis (SMO)
- Funding can come from varying sources
- Income tax should be withheld, W2 reportable



Visiting Students

Visiting students are registered as full-time, non-matriculated students. Please be sure to use the corresponding job code when appointing visiting students.

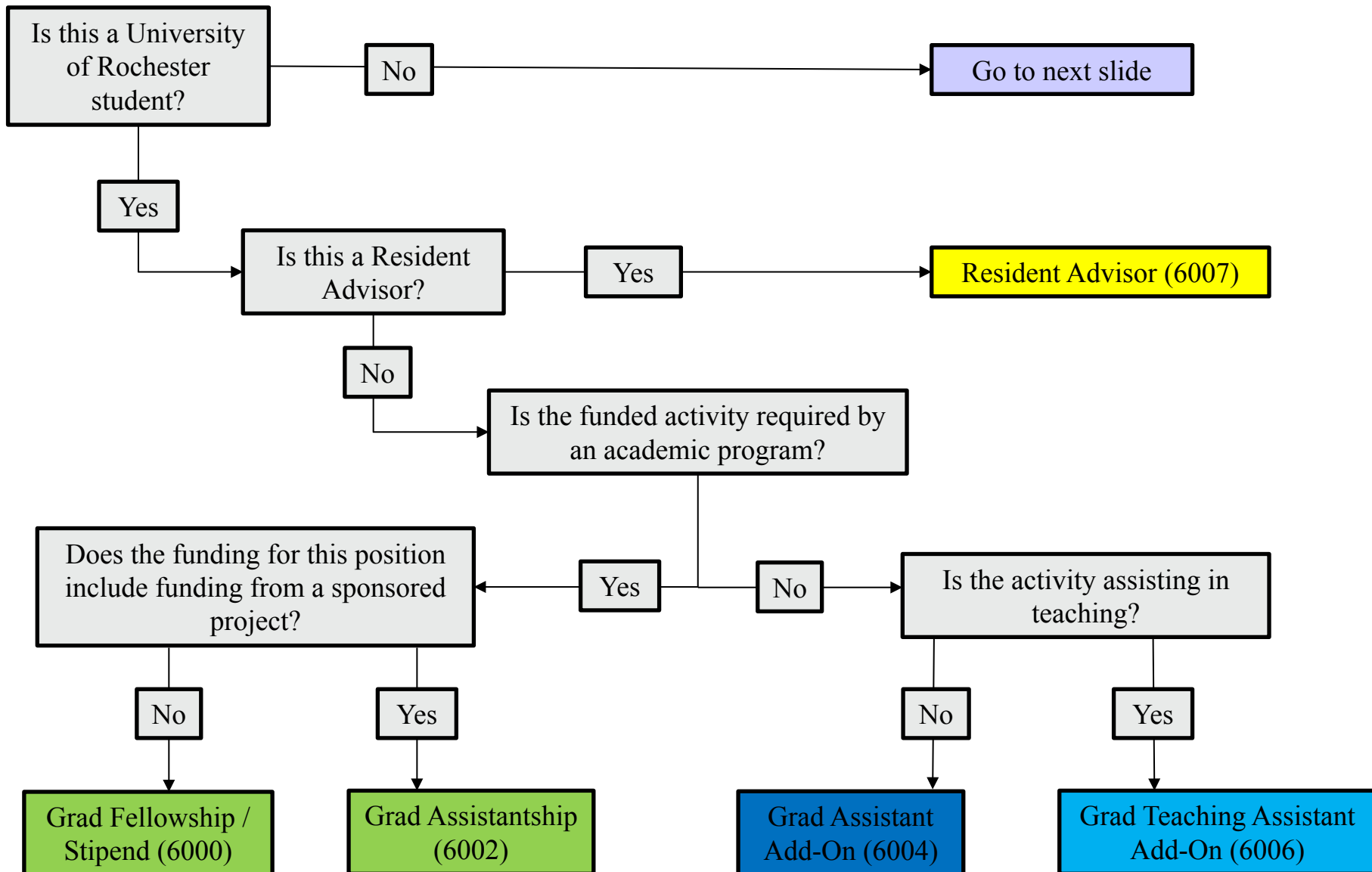
- Grad Fellowship / Stipd, Visiting - Job Code: 6001
- Grad Assistantship, Visiting - Job Code: 6003
- Graduate Assistant, Add-On Visiting - Job Code: 6005



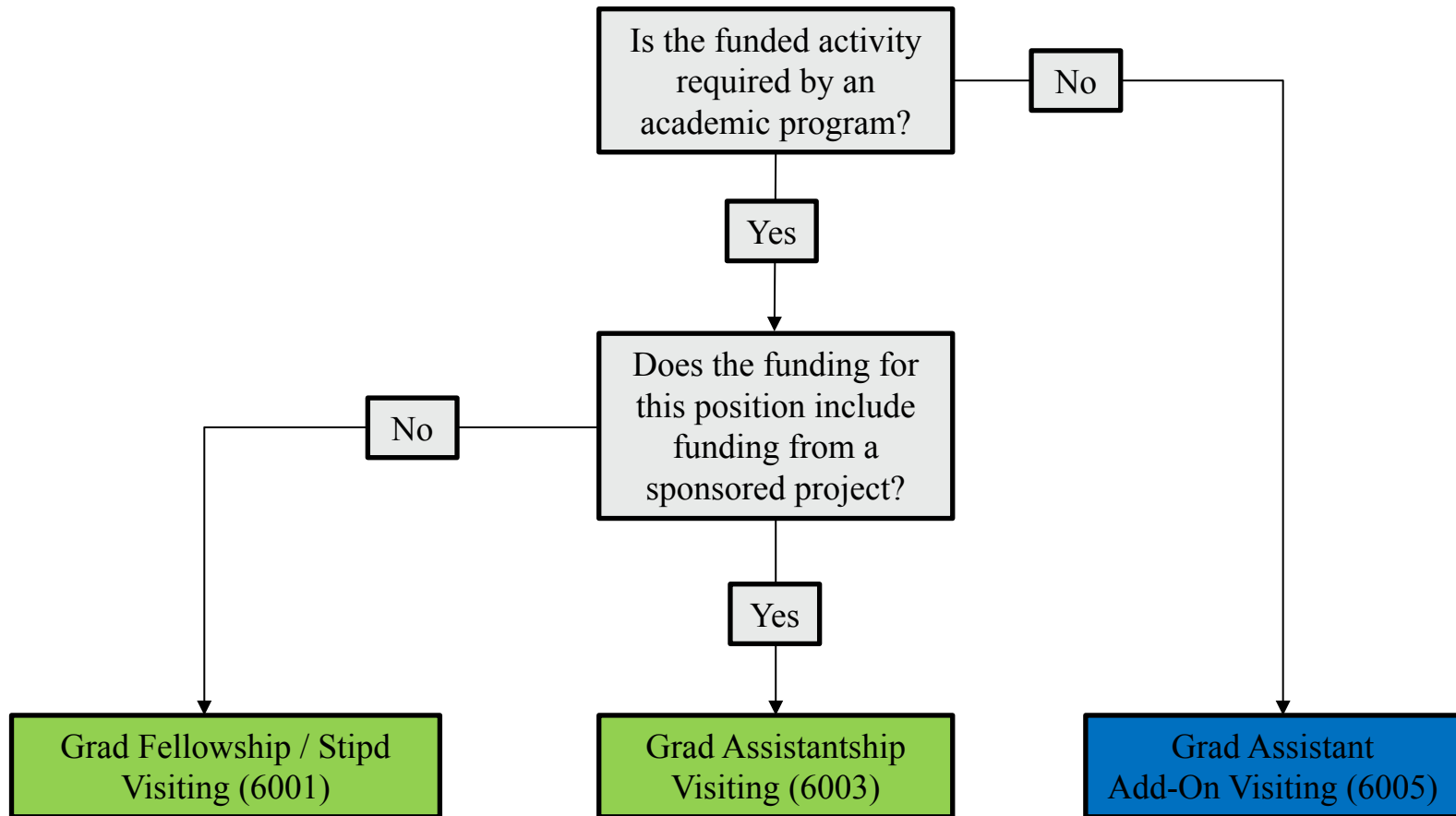
Deciding Which Job Category To Use



How Do I Decide Which Graduate Student Job Category to Use?



If your student is not a University of Rochester student...



Types of Payments and Other Considerations



Stipend Pay and Payment in Lieu of Wages

- Can be paid on a salary (SMO) basis divided over a specified period of time
 - e.g. 6 months, 1 year, etc.
- Students should be paid **throughout** the entirety of their appointment period and not in a lump sum at the end of their appointment period
- Amount of payment should reasonably reflect the value of efforts provided by the student



Hourly Pay

- All hourly pay appointments require approval from the dean's office
- **Wage band: Minimum Wage - \$35.00 / hour**
 - Anything above this wage band will require justification and dean's office permission; anything below minimum wage is not permitted.
 - Departments may not appoint students at a lower pay rate on a "probationary" basis
 - Hourly wage should reflect the skill set required for duties
 - **Be careful when considering hourly wage ranges for hourly appointments as you don't want to overuse or run out of funding**
- Student will be responsible for tracking and entering hours worked
 - Please communicate to students in these appointments that they will need to log and track their hours starting January 1, 2017.
 - Department or faculty sponsor (or delegate) will be responsible for approving hours worked



International Students

- Visa status limits most international students to 20 hours of work/week.
 - In the past, fellowship/stipend activity counted as 20 hours of work/week and no other work was possible.
- After January 1, 2017 in the new structure, all Fellowship/Stipend and Assistantship appointments will count as zero hours of reportable work.
- As a result, international students will be eligible for GA or TA Add-On appointments up to the 20 hours of work/week limitation.
 - Remember that TA Add-On positions count at 10 hours/week.
 - The limitation includes GA or TA Add-On work and any other employment through the Student Employment Office.



Communicating to Students re: Tax Withholding Changes

- If you have students with a Fellowship/Stipend or Assistantship appointment, it is important to notify them that the University **will not** be withholding taxes on the money disbursed beginning January 1, 2017.
- However, payments from Fellowships/Stipends and Assistantships **are still considered taxable income.**
- Students will be responsible for reporting these amounts (perhaps quarterly) as taxable income to State and Federal tax boards.



FAQs



FAQs

What is the difference between a Fellowship / Stipend and Assistantship?

The biggest difference is funding source.
Assistantships **MUST** have a sponsored project as
at least one of the funding sources.



FAQs

Can you have multiple appointments for one student?

Yes. You can have any combination of a Fellowship / Stipend with a GA Add-On or TA Add-On appointment. Or any combination of an Assistantship with GA Add-On or TA Add-On appointment.

However, you are unlikely to see combinations of Fellowship / Stipend and Assistantship appointments. More often than not, appointments in these categories will either be one or the other. On rare occasion will a student be appointed as a Fellowship / Stipend AND Assistantship.



FAQs

Can you appoint a student to a GA Add-On or TA Add-On without appointing them as a Fellowship / Stipend or Assistantship?

YES. You can appoint a student solely as an Graduate Assistant Add-On or Teaching Assistant Add-On even if they do not have a Fellowship / Stipend or Assistantship appointment.



FAQs

Teaching is required by our department's graduate program. Does this mean we would appoint the graduate student as a TA?

If the teaching activity is required by the program, the appointment should be classified as a Fellowship / Stipend or Assistantship depending on the funding source.

Any teaching beyond those teaching activities required by the academic program would be considered an TA Add-On appointment.



FAQs

Are masters students included in these job categories?

YES. Graduate students encompass doctoral students AND masters students.



Glossary of Terms



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- **ACA:** Affordable Care Act; federal statute that essentially mandates employers to offer health insurance to workers and dictates the parameters for such benefits
- **Add-On:** Additional work not included in an academic program's requirements for completion.
 - E.g. Graduate Assistant (GA) or Teaching Assistant (TA)
- **BWH:** Wages paid bi-weekly
- **FICA:** Federal Insurance Contributions Act; tax imposed on employers and employees to fund Social Security and Medicare (no FICA will be withheld for any of the aforementioned appointments)
- **FLSA:** Federal Labor Standards Act; federal statute that dictates minimum wage, overtime pay, and standard hours in a work week
- **Fellow:** Students receiving an actual fellowship, i.e. Sproull fellowship, Kirschstein fellowship, etc.



Glossary of Terms (cont'd)

- **Graduate Student:** A doctoral, masters student, post-baccalaureate or medical student
- **Institutional funding:** Any departmental funds or University accounts not related to a sponsored project (GR5 account).
- **Payment in lieu of wages:** This is pay that is not technically a stipend. Payment is in recognition of student's contribution toward achieving a sponsored project's aims concurrently with satisfaction of an academic requirement.
- **SMO:** Semi-monthly payment
- **Sponsored project (research grant):** An award of money to the institution specifically for research.
- **Training grant:** An award of money meant to develop or enhance research training opportunities.



Appendix A: Detail on Why These Changes Are Occurring



We need to better distinguish between graduate student activities being performed.

There are several reasons for this:

- **The Affordable Care Act (ACA):** The ACA requires the University to report all hours worked in service for the University.
 - If a student / employee works over 30 hours per week, we are required by law to provide / offer health insurance. If we do not, in short, the University is subject to a significant penalty tax.
- **The Federal Labor Standards Act (FLSA):** Changes in FLSA regulations require the University to ensure overtime pay. While students will not likely be working more than 30 hours in a week let alone any overtime, it is crucial that actual working hours are tracked in the event overtime pay is due.
- **Taxable Income:** Payments made by the University to individuals are considered taxable income and need to be taxed and reported as such.
- **Effort Certification for Grant Reporting:** Sponsored research grants require certification of time spent on achieving a project's aims.

