



Information on Taxation of SAFE Payments to Students

Scholarship and fellowship payments may be taxable, depending upon whether the payments are classified as qualified or nonqualified under the Internal Revenue Code and related guidelines. As part of a recent review, the Office of Finance and Treasury has updated its guidance for specific funding purposes such as senior thesis research, junior independent work, and graduate language training, among others. Changes have been made to Student Activities Funding Engine (SAFE) to ensure these funding purposes are being classified appropriately for tax purposes. More information is available on the [Finance and Treasury website](#). If you have questions, please email tax@princeton.edu.

SAFE Implementation of New Tax Guidelines

Frequently Asked Questions

What has changed for students?

Previously, payments in SAFE were largely considered taxable. While most students did not have taxes withheld from their award payments, they received a letter from Finance and Treasury informing them that their award may be taxable. They were responsible for reporting the income on their personal tax returns. Note: Many international students DID have taxes withheld from their SAFE payments if their visa or home country tax treaty required it for their specific activity.

Going forward, students receiving payments for activities deemed “qualified” (non-taxable) will not receive the letter from Finance and Treasury and international students will not have taxes withheld from their payments.

How does the University determine which payments are taxable and which are not?

F&T has developed a process for analyzing students’ activities and determining whether or not the award will be taxable or non-taxable. They have analyzed many common activities and have made the lists, and the criteria, available for review at: <https://finance.princeton.edu/how-to/tax-compliance/students-groups-foreign/scholarships-fellowships/>

What do SAFE funders need to do differently?

SAFE funding administrators will create opportunities and award funding exactly the same as before this change. The only change is on the Pay Awards page. When paying an award, the funding opportunity administrator will now select either the default account or one of the options in the drop-down menu. If the activity you are funding does not match with one of the specific “funding purpose” options, you simply select the default option.

Payments Direct to Student				
For electronic payments to student				
For [Account], select the default unless one of the options applies. Select down arrow to view funding purpose options.				
Source	Account	Amount	Payment Date	Description
del Dean's Fund	SUMMER STUDY ABROAD default (5575) SSA NON-PU PROG credit apprvd (5575) SSA PU PROG credit apprvd (5575)			
+add AP payment				Posted by Invoice
Save AP Payments				

Do I determine whether or not the student's award should be taxable or non-taxable?

No. After thorough analysis, Finance and Treasury has determined which specific activities will be treated as qualified (taxable) or nonqualified (non-taxable) payments. We have built workflows into SAFE so that funding administrators simply need to accurately select the type of activity they are funding.

What if I don't want my students' awards to be taxable?

The University has taken responsibility for making these careful judgments in compliance with the law. Each of us, as stewards of University funds, needs to comply with the processes in place to ensure we do not put the University at risk.

What are the account/funding purpose options?

There are different funding purpose options for each SAFE activity type. The table below shows all options.

Activity Type	SAFE "Funding Purposes"	Account Code
UG Senior Thesis Research	SENIOR THESIS RESEARCH default (5571)	5571
UG Independent Project	INDEPENDENT PROJECTS default (5572)	5572
	JUNIOR PROJECT/RESEARCH (5576)	5576
UG Internships	UG INTERNSHIPS default (5572)	5572
UG Summer Study Abroad	SUMMER STUDY ABROAD default (5575)	5575
	PU PROGRAM apprvd for credit (5576)	5576
	NON-PU PROG apprvd for credit (5576)	5576
Graduate Research	GRADUATE RESEARCH default (5533)	5533
	WWS MPA POLICY WORKSHOPS (5514)	5514
	LANG TRNG REQ'D FOR DEGREE (5514)	5514
Graduate Internships	GRADUATE INTERNSHIPS default (5534)	5534
	WWS MPA INTERNSHIPS (5514)	5514
Graduate Conferences	GRADUATE CONFERENCES default (5533)	5533

Which funding purpose option should I select when paying an award?

Choose the default option unless you are funding one of the specific activities listed. Some tips to help you decide:

- Read the student's application. The application will give you the information you need to decide which funding purpose to select when paying the award. Pay specific attention to:
 - Project Title.
 - Answers to application questions. Note that we have added a question to the UG Independent Project application asking whether or not the student's activity is related to Junior Project/Research.
 - Project proposal/description
- Ask student for clarity, if needed.