

Guidance for Making ‘Fellowship DPAY’ vs ‘Form W-2’ Determinations

Generally, a fellowship or scholarship payment is one made to, or for the benefit of, an individual to aid the individual in the pursuit of studies or research. If, however, a purported fellowship amount represents payment to the individual for the required performance of teaching, research, or other services, such amount must be treated as Form W-2 reportable wages in accordance with IRS regulations.

Northeastern University is responsible for correctly classifying payments made to individuals. Misclassifying Form W-2 wages as Fellowship DPAYs may expose NU and the individuals involved to significant adverse tax consequences or unintended financial aid implications. For example, a department misclassifying Form W-2 wages as a Fellowship DPAY could be responsible for multiple past years of payroll tax withholdings (FICA, federal and state income tax) for both the individual and NU, typically equal to more than 40% of the amount paid, in addition to penalties and interest.

This guidance is intended to help departments when making Fellowship DPAY vs Form W-2 wage determinations. It is a required form, which is necessary to retain in order to document the conclusions made. The aid can be completed multiple times for the same individual with multiple sources of payments, or it can be completed to cover a group of recipients in the same circumstances.

NOTE: If processing the payment as a DPAY, this guidance document must be attached to the DPAY.

Section A	
Recipient _____	Department _____
Funding Source _____	Date _____
Preparer _____	PI Signature _____
NU-RES Reviewer if R25 Grant Processed by DPAY _____	

Section B
<p>Were the payments made under one of the following:</p> <ul style="list-style-type: none"> - The National Research Service Award (NRSA) fellowship program (such as F31, F32 or T32 programs), - The National Health Service Corps Scholarship Program, or - The Armed Forces Health Professions Scholarship and Financial Assistance program?
If yes , the payments should be treated as a Fellowship DPAY for tax purposes. If no , continue to Section C.

Section C
<p>Were the payments made under one of the following specific types of National Institute of Health research grants (applies to these NIH programs only):</p> <ul style="list-style-type: none"> - Research Project Grant (R01), - Exploratory/Developmental Research Grant Award (R21), or - Resource-Related Research Project (R24)?
If yes , the payments should be treated as Form W-2 wages. If no , continue to Section D.

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Section D	W-2	DPAY
1. Is the individual required to perform past, current or future service for NU as a condition of receiving the payment (such as teaching or lab technician work), and/or is the individual paid hourly?	_____ Yes	_____ No
2. Is the payment that is made to the individual charged to an agreement under which NU has agreed to perform specific research or has some other contractual obligation?	_____ Yes	_____ No
3. Does the funding source prohibit the payment of fellowship stipends with the funds or require that payments to the individual be that of wages or compensation for services?	_____ Yes	_____ No
If any answer is ‘Yes,’ the payment should be treated as Form W-2 wages. If none of the above answers is ‘Yes,’ continue to Section E.		

Section E	W-2	DPAY
1. Even if the individual is <u>not</u> required to perform services to receive the payment, do the activities that the person conducts primarily (a) benefit NU (e.g., patent or copyright retention), or (b) further the individual’s training and skill development?	_____ (a)	_____ (b)
2. Are the areas of the individual's projects primarily (a) determined solely by an advisor or supervisor with no discretion by the individual, or (b) determined in consultation between the individual and the individual’s faculty advisor and/or faculty mentor?	_____ (a)	_____ (b)
3. Does the individual serve primarily in an employment role such as a laboratory technician? Alternatively, is there anyone performing the same or similar work being reported as Form W-2 wages?	_____ Yes	_____ No
4. Is the individual required to primarily perform his/her activities according to certain planned time schedules (e.g., a specified number of hours a day or week and a specified number of weeks during the year)?	_____ Yes	_____ No
5. Is the individual subject to progress reports or to the same, or higher, level and type of supervision over the conduct of his/her activities as a University teaching, research, or similar graduate assistant?	_____ Yes	_____ No
If three or more of the DPAY boxes are marked, the payment should be treated as a Fellowship DPAY for tax purposes. If fewer than three DPAY boxes are marked, the payment should be treated as wages.		

Questions regarding using this guidance may be directed to the Tax Department atg.menin@northeastern.edu or 617-373-7503.

Please Note: Award letters for Fellowship DPAYs must indicate that the payments are to support the individual's studies or research and that no services are required in order to receive the payments. Language such as the following should appear in the award letter and the program itself must reflect this provision:

This is a non-service fellowship award. The individual receiving this award is not required to perform any services in exchange for the award. Accepting this award may affect eligibility for need-based financial aid through the Office of Student Financial Services.



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Northeastern University – Tax Department
360 Huntington Ave
Boston, MA 02115

Phone: 617-373-7503
Email: g.menin@northeastern.edu
Web: northeastern.edu/finance/



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