**Prizes & Awards to Students**

**Scholarship**

The Department of Education considers payments or winnings because of enrollment at a post-secondary institution or for the purpose of aiding a student’s study, training, or research as scholarships or fellowships. These amounts are not taxable to the student to the extent they are used to pay tuition and required fees. Payments or winnings won in a contest are considered a scholarship, if**any** of the following conditions apply:

* The recipient is required to use the disbursement for educational purposes
* The recipient is eligible to receive the funding because he/she is a student
* The contest is related to the student’s university courses or degree completion

Per federal financial aid regulations, cash-based ‘prize’ scholarships (including gift cards) awarded to IU students are considered scholarships, and the value of these scholarships should be entered into the recipients Bursar account. This also pertains to the value of educational equipment (e.g. iPads) awarded to students.

**Prize & Award**

When the payment to a student does not meet any of the conditions mentioned above, the payment or winnings would be considered a prize and not a scholarship. The value of a prize is considered taxable income to the recipient and may require IU to report the value of the prize to federal and state revenue agencies. Tax withholding is required when the prize is given to a non-resident alien for tax purposes. A prize would have to be processed in one of two manners to ensure appropriate reporting by the university.

* **Cash prize**
* Processed through a disbursement voucher. The payment reason needs to be Prize and/or Award and use object code 4866. Please note, documentation on how the contest was conducted should be provided in the DV notes section.
* **Non-cash prize**
* [Prize Tax Data Collection Form](https://controller.iu.edu/compliance/form-library). Refer to [Tax Standard Operating Procedure 9.03](https://controller.iu.edu/compliance/fiscal-officer/sops) for processing guidance.