Reimbursement to Students for Travel related expenses

From a tax perspective, all payments made to an individual are taxable unless there is a code section that excludes them. For example, the tax code allows for an employee’s taxable income to be reduced by money set aside for health care or dependent care expenses under a flexible spending account, or scholarships used for “qualified tuition and related expenses” may be excluded from income.

**Employee travel**, is excluded from income under the accountable plan rules (Internal Revenue Code Section 1.62) which states the expenses must have a business purpose to the payer (the College), be adequately accounted for, (turning in receipts) and any excess reimbursement or allowance that cannot be accounted for must be returned or reported on the employees W-2. **These rules only apply if there is a service element to the relationship for which the payment is occurring** (employer/employee or business owner to independent contractor). The provider of the services (employee or independent contractor) is not required to be compensated for the services for the accountable plan rules to apply. For example, volunteers provide services without receiving compensation and can be reimbursed for their mileage and their business related expenses.

**Students in non-service relationships with the College:** There is no section in the tax code that excludes reimbursements to a student for travel expenses. If a student is not in a service type relationship with the College, any travel reimbursements would not fall under the accountable plan rules and would be considered taxable income to the student.

**Students in service relationships with the College:** Expenses including travel can be reimbursed to students through accounts payable and are not reportable as taxable income if the student is in a service relationship with the College or the expenses relate to official College business and the primary beneficiary of the expenditure is the College. Below are some **examples of nontaxable reimbursements to students:**

- The reimbursement directly supports a faculty members project or research
- The reimbursement is related to presenting research findings at a conference on behalf of the College (a service is being provided)
- The reimbursement is related to attendance at College sponsored events such as athletic events or student competitions where the College is being represented

**Please note:** If a student works for Rastall and attends a conference related to Chemistry, their work at Rastall is not related to the conference and the reimbursements would not be excludable from income under the accountable plan rules as the employment has to be related to the travel for there to be a legitimate business purpose to the travel.

Please contact the [Accounts Payable Coordinator](mailto:accounts payable coordinator@coloradocollege.edu) for assistance in determining whether your payments should be processed through financial aid as a scholarship or accounts payable as an award not related to the students education.

Additional information on payments to students is available in Publication 970 Tax Benefits for Education which includes clarification on the tax treatment of scholarships.