



# Compensatory vs. Non-compensatory Payments – PhD Students

*Presented By:*

*The Office of Education for Research Administration &  
Finance in partnership with Corporate Payroll Services and  
the Graduate School*

# Agenda

○ Difference between Compensatory and Non-compensatory

○ Hiring and Setting Update New Recipients

○ Differences for Foreign Nationals

○ Duke@Work and Submitting Forms

○ Taxes – Reporting Requirements, Withholdings and Year-End Documents

○ Managing the Compensatory and Non-compensatory Relationship

# PhD Student Payments – Foundation

## Compensatory

- ▶ Payments issued when PhD student is providing a service on behalf of the University.
  - [Teaching Assistantship](#)
  - [Research Assistantship](#)
  - [Graduate Assistantship](#)
- ▶ Because the service directly benefits Duke, it is considered work.
- ▶ Payments are issued on the 25<sup>th</sup> of the month.

## Non-compensatory

- ▶ Payments issued to PhD students in support of their educational activities.
  - Fellowships
  - Training grants
- ▶ Because the activity directly benefits the individual, it is not considered to be work.
- ▶ Payments are issued on the last day of the month (exception December).

A PhD student may receive payments through both the compensatory and non-compensatory payrolls during their time at Duke.

Because of the fundamental differences in the nature of payments they receive, PhD student have two records in SAP.

### Non-Compensatory



Personnel no.	90386605
JEFFREY A SMITH	NON-COMP AWARDS
UNIVERSITY	NON-COMP AWA... Withdrawn
NON-COMP AWA...	

### Compensatory



Personnel no.	386605
JEFFREY A SMITH	EXEMPT->=20 HRS/WK
UNIVERSITY	ALL OTHER Withdrawn
GRAD STUDENT	

In most instances, records do not share information with each other.

# Hiring Employee vs. Establishing a New Non-Compensatory Payment

## Compensatory

- ▶ Hire via the Hire iForm and complete the On-boarding process through Success Factors
- ▶ Allowable job codes:
  - ▶ 1590 Research Assistant
  - ▶ 1594 Teaching Assistant
  - ▶ 1502 Graduate Assistant
- ▶ I9 form required
  - ▶ US citizens – via department
  - ▶ Foreign Nationals – via Visa Services
- ▶ PhD students – **only** hired into exempt positions; no non-exempt positions

## Non-compensatory

- ▶ Payments are set-up using the New Recipient iForm (on Non-comp tab)
- ▶ Payments issued using fellowship – 4001 – wage type
  - Includes fellowships and training grant payments
- ▶ Does not require an I9

# Job Codes and General Ledger (GL) Accounts - Compensatory

- ▶ 1590 Research Assistant (RA)
  - Use GL account 6012 – for research activity
  - Tuition remission *is* assessed
- ▶ 1594 Teaching Assistant (TA)
  - Use GL account 6014 – for instruction activities
  - Tuition Remission *is not* assessed
- ▶ 1502 Graduate Assistant (GA)
  - Use GL account 6014 – for general training activities
  - Tuition Remission *is not* assessed

*Please note: If a PhD student is working as RA and TA simultaneously, use job code 1590 and GL 6012 for the portion of effort supporting research and GL 6014 for the portion of effort supporting instructional activities. Tuition remission will be assessed accordingly.*

# Wage Types and GL Accounts – Non-compensatory

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- ▶ PhD Students receive fellowship payments
  - Wage type 4001
- ▶ GL account driven by the following:
  - Source of funding – federal or non-federal
  - Receipt type
    - ▶ Designated – One student can be paid from the funding source
    - ▶ Undesignated – Multiple students can be paid from the funding source
- ▶ GL account will begin with “63” and the iForm will restrict the available accounts based on the type of payment.
  - Duke provides [detailed guidance](#).

## Differences for Foreign Nationals – Compensatory

- ▶ I9 form required – Visa Services
- ▶ Foreign National Form – Completed via SuccessFactors Onboarding
- ▶ Submit documentation to claim a tax treaty if applicable – [Forms Search Available](#)
- ▶ If a tax treaty is not available, mandatory withholding requirements



# Differences for Foreign Nationals – Non-Compensatory

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- ▶ Receives email to complete Foreign National Form once New Recipient iForm is complete
  - If a non-compensatory recipient is on the compensatory payroll first, information from Foreign National Form transfers to non-compensatory record.
- ▶ Upload immigration related documentation
  - I-94 and Passport Identity page
  - I-20/DS-2019/EDA
  - Funding Letter – financial aid notification or reappointment letter
- ▶ Program start date
  - Can use 8/1 if student arrives prior to non-comp deadline for August.
  - Use September 1 if they arrive after August deadline.
  - SAP record is not established and payment cannot be issued until visa certification is complete.
- ▶ Will need an Individual Tax Identification Number (ITIN) if they do not have an SSN
- ▶ Submit documentation to claim a tax treaty if applicable – [Forms Search Available](#)

# Tax Forms, Direct Deposit & Pay Statements

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## Compensatory

- ▶ Access all personal information via Duke@Work
- ▶ View pay statements
- ▶ Submit/change tax documents
- ▶ Submit/change direct deposit
- ▶ Access W2s
- ▶ **Please note:** Foreign Nationals cannot set up direct deposit until they provide their SSN.

## Non-compensatory

- ▶ No equivalent system to Duke@Work for non-compensatory recipient
- ▶ Duke does not distribute pay statements
- ▶ Live checks and tax documents distributed to the home address on file in SAP.
- ▶ Submit paper tax forms via Strong Box
- ▶ Submit direct deposit information via the Duke Hub.
  - Complete by 15<sup>th</sup> of the month
  - Can take up to 10 business days to establish direct deposit
  - Cannot be established until non-compensatory record is established
- ▶ **Please note:** With the exception of direct deposit, changes made in the Hub are not integrated with SAP.

# Taxes and Duke's Reporting Requirements – US Citizens, Residents for Tax Purposes

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## Compensatory

- ▶ Completes W-4 and NC-4 at time of employment
  - ▶ Standard SAP default is single and 0 if student doesn't submit tax form
- ▶ Receives W-2 mailed to home address which reflects all earnings by January 31 each year
- ▶ Changes made via Duke@Work

## Non-compensatory

- ▶ Duke does not have a reporting requirement for students receiving fellowship payments.
  - ▶ SAP sets students up as Exempt and no taxes are taken from payments.
  - ▶ Duke provides a courtesy letter to students reflecting all payments.
- ▶ When students chose to submit tax forms, Duke then has a reporting requirement.
  - ▶ Payroll enters W-4 and NC-4 information based on student request.
  - ▶ Duke provides 1099 form reflecting all payments.

# Taxes and Duke's Reporting Requirements – Non-residents for Tax Purposes - Compensatory

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- ▶ Can claim a tax treaty if available
- ▶ If tax treaty is not available:
  - W-4: Form W-4 is limited to single marital status, can claim no more than “1” withholding allowance. Each additional withholding is no longer required. The individual is required to write the term “Nonresident Alien” on line 6 of the Form W-4.
  - NC-4 NRA: Form used to ensure proper withholding for state taxes.
  - If tax form is not submitted, default to single and zero.
- ▶ Receives 1042S (for earnings not reported on W-2) mailed to home address which reflects all earnings by March 15 each year

# Taxes and Duke's Reporting Requirements – Non-residents for Tax Purposes – Non-compensatory

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- ▶ Can claim a tax treat if available
- ▶ If tax treat is not available, subject to mandatory withholdings. Withholding percentages can change annually.
  - 14% for federal – current rate
  - 5.09% for state – current rate
- ▶ Receives a 1042S mailed to home address which reflects all payments by March 15 each year.

## Important Note

Duke not being required to report payments, does not mean the student doesn't have to pay taxes on non-compensatory payments. Duke employees should not give advice on an individual's tax status and payment requirements. Business units should encourage students to discuss tax liabilities with a tax professional or parents.



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## Paper Form Submission

Best practice is to submit all paper forms via Corporate Payroll Services secure Strongbox. Feel free to share the link with students you support.

Payroll Strong Box Link:

<https://strongbox.oit.duke.edu/strongbox/upload/er/DUKE%20SSN%20COMPLIANCE/134611658066>

# Managing the Compensatory Relationship

- ▶ iForms primary source for managing all HR/Payroll information.
- ▶ Personal Data Change
  - Update home address
  - Names changes – SSN is source document
  - Enter SSN for Foreign National with “dummy” number – checks held after 90 days if SSN is not updated and documentation presented
- ▶ Rate and Schedule – Change rate of pay
- ▶ Cost Distribution Change – Change cost object and GL accounts
- ▶ Termination iForm – End the compensatory relationship with Duke



# Managing the Non-Compensatory Relationship

- ▶ Non-comp iForms – Primary source for managing information
- ▶ Three iForms:
  - ▶ New Recipient iForm – Establishes new payments
  - ▶ Non-comp Change iForm
    - Changes payment information – amount, cost object, GL
    - Establishes a new payment once one has ended
    - Changes all personal information – address, name, etc.
  - ▶ End Award iForm – Ends the award record
    - Once an End Award iForm is processed, New Recipient iForm and any necessary paper work must be resubmitted.

# Ending Non-compensatory Awards

- ▶ When should business units end an award:
  - When the student completes their PhD.
  - If the student has been active, but without payment for six months and you are uncertain and cannot determine if they will receive future payments.
- ▶ A New-Receipt iForm is required if a student's record has ended.
  - Student will need to resubmit all paperwork.
    - ▶ Tax Forms
    - ▶ Immigration documents for foreign nationals
  - Exception – Direct Deposit
    - ▶ Once the student is active, SAP will use the banking information from the previous record. Students should review banking information, updating the data in the Hub if necessary to ensure payment is sent to the correct financial institution.

# Resources:

- ▶ Corporate Payroll Services
  - Phone – 919-684-2642
  - Email – [payroll@duke.edu](mailto:payroll@duke.edu)
  - Website – [payroll.duke.edu](http://payroll.duke.edu)
    - ▶ [Non-compensatory Payments Page](#)
    - ▶ [Pay Schedules and Deadlines](#)
    - ▶ [Foreign Nationals](#)
- ▶ Visa Services
  - Phone – 919-681-8472
  - Email – [VisaHelp@duke.edu](mailto:VisaHelp@duke.edu)
  - Website – [visaservices.duke.edu](http://visaservices.duke.edu)