

**STIPEND INFORMATION**  
**WHEN USING STUDENT ACTIVITIES FUNDS (850, 525, 526)**

When an employee is paid a stipend, not only is the employee responsible for paying payroll taxes on the gross amount they receive, i.e. Social Security and Retirement, employers (MPS) must pay and match the taxes. Employer Paid Benefits for the '20-'21 school year total 25.27% of the stipend.

Note: Employees are no longer paid an hourly rate for additional assignments.

MPS Employees being paid for additional assignments are not paid as contractors, because they are already MPS employees, therefore, need to be paid through payroll (see IRS rules).

The gross amount of the stipend paid to the employee as well as the Employer paid benefits (taxes) come out of the account that is used to pay the stipend.

Following are the '20-'21 school year percentages used to calculate the Employer paid taxes:

- FICA – 6.2%
- Medicare – 1.45%
- Retirement – 12.22%
- Incentive Pay – 5.4%

The employee's stipend is calculated one of two ways. The employee will either be paid a Stipend **minus** Employer Paid Benefits or a Stipend **plus** Employer Paid Benefits.

**Stipend minus Employer Paid Benefits - Means the school only wants a certain dollar amount taken out of an account.** For example, if the school decides they only want to use a total of \$1,500 out of an account, then the employee is **NOT** going to receive \$1,500 (gross amount) on their paycheck.

**Calculation:**

Employer Paid Benefits: \$379.05    Calculation:  $\$1,500 \times 25.27\%$   
Employee will receive a gross amount of \$1,120.95    Calculation:  $\$1,500 - \$379.05$   
Amount taken out of account: \$1,500.00

If the account being used to pay this stipend has \$2000 in it prior to the stipend being paid, it will have a balance of \$500 in it after the employee is paid the \$1,120.95 and the Employer Paid benefits are covered, which is \$379.05  
Account Balance = \$500    Calculation:  $\$2,000 - \$1,120.95 - \$379.05$

**Example - Stipend plus Employer Paid Benefits – Means more money will be taken out of an account than the actual amount of the stipend.**

**Calculation:**

Employer Paid Benefits: \$379.05    Calculation:  $\$1,500 \times 25.27\%$   
Employee will receive a (gross amount) of \$1,500  
Amount taken out of account: \$1,879.05    Calculation:  $\$1,500 + \$379.05$

If the account being used to pay this stipend has \$2,000.00 in it prior to the stipend being paid, it will have a balance of \$122.60 in it after the employee is paid the \$1,500 and the Employer Paid benefits are covered, which is \$377.40  
Account Balance = \$122.60    Calculation:  $\$2,000 - \$1,500 - \$379.05$

**Reminder:** Deductions for Payroll taxes will be deducted from the employee's paycheck on the gross amount they receive for their portion of Social Security and Retirement taxes.