



State of Arizona Accounting Manual

Topic 45 Expenditures, Expenses and Disbursements Issued 03/23/20
Section 57 **Payments to Participants in Certain Prescribed Educational or Therapeutic Programs** Page 1 of 2

INTRODUCTION

This policy applies to payments made to participants in certain prescribed educational or therapeutic programs.

A “prescribed” educational or therapeutic program is one that has been recommended by and is overseen by a professional qualified to do so. A qualified professional is one trained, licensed, certified, experienced and/or recognized as proficient in field that is applicable to the program under consideration. The types of educational or therapeutic programs to which this policy applies are frequently designed to assist physically or mentally challenged individuals in the care of the State to enter or return to society.

The type of education or therapeutic program contemplated by this policy statement is one that features providing participants with a certain amount of cash to use in adjusting to or readjusting to a life outside of their confinement.

Examples of such programs would be providing small sums of cash or payment cards of a trifling amount to:

- Residents of the Arizona State Hospital, so that they may make small purchases at retailers. This gives the residents the opportunity to acquire or reacquire skills that will be needed upon the residents’ ultimate release.
- Students of the Arizona State School for the Deaf and the Blind, so that they can learn to better conduct monetary transactions in society.

POLICY & PROCEDURES

1. Payments made to participants in prescribed educational or therapeutic programs are, because of the nature of the payments and the insignificance of amount, neither taxable nor reportable to taxing authorities.
2. Recipients of payments from prescribed educational or therapeutic programs are not:
 - 2.1. Employees of the State of Arizona, or
 - 2.2. Independent contractors, or
 - 2.3. Wards of the State for reporting compensation for services.

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3. Because of their status as participants in a prescribed educational or therapeutic program, recipients of payments from such programs are not required to complete:
 - 3.1. A State of Arizona Substitute Form W-9, or
 - 3.2. A Federal Form W-4, or
 - 3.3. An Arizona Form A-4.
4. Payments to those who perform compensated services for or on behalf of the State while in State custody and not participating in a prescribed educational or therapeutic program are taxable. Recipients of such payments are wards of the State and must complete a State of Arizona Substitute Form W-9. (See SAAM 4556 for more information.)