

A. General

The University of Kentucky is required by the Internal Revenue Service (IRS) to report tax information and withhold all applicable taxes from payments made to *medical service providers* and *attorneys*, payments made to *sole proprietors* and *partnerships*, and payments made to *individuals*. (All generally referred to as taxpayers.) Failure to comply with IRS regulations may result in fines or penalties. Any fines or penalties imposed by the IRS are the responsibility of the department making the payment. Examples of these payments include, but are not limited to, the following:

1. Payments to Attorneys
2. Payments for Consulting Services
3. Payments to Entertainers
4. Payments for Medical Services (Physicians, Physician Services Groups, Dentists, Technicians, etc.)
5. Payments to Sporting Event Officials and Referees
6. Payments to Research Participants/Subjects
7. Payments for Prizes and Awards
8. Payments for Professional Services (Interpreters, Accountants, etc.)
9. Payments for Reimbursements to Nonresident Aliens for Guest Expenditures
10. Payments for Rent/Leases of Real Property
11. Payments for Royalties to Authors and Inventors
12. Payments to Visiting Speakers including Honorariums
13. Payments of any type made to an *individual* for personal services

Payments for Services that are Subject to Tax Withholding and Reporting to the Internal Revenue Service

- B. All University departments have the authority to make the payments described above to U.S. citizens, resident aliens, and nonresident aliens. In doing so, all departments are responsible for complying with all IRS and Immigration and Naturalization Service (INS) regulations including gathering the necessary information for tax withholding and/or reporting, for completing the appropriate forms accurately, and for sending this information to the proper University department for processing.
1. Departments are obligated to correctly classify workers as employees or independent contractors and to properly classify taxpayers as U.S. citizen, resident alien, or nonresident alien individuals, sole proprietors or partnerships.
 2. Employing officials/departments are responsible for becoming familiar with IRS publications pertaining to each taxpayer or worker classification. Information concerning tax treaty exemptions and graduated withholding rates can be found in the IRS publications. All IRS forms and publications may be obtained from the IRS at 1-800-TAX-FORM (1-800-829-3676) or on the Internet at <http://www.irs.gov/>
- C. Employing officials/departments are responsible for ensuring that all relevant forms are fully and accurately completed by the taxpayer and/or the department. The following minimum requirements must be met before payments may be processed.
1. IRS regulations require all recipients of payments made for services, royalties, rents, awards or any other taxable payments to have a valid United States taxpayer identification number. This requirement applies to all taxpayer classifications. See Section E-7-2 for taxpayer classifications.
 - a. Payments to individuals
 - 1) U.S. Citizens and Resident Aliens - must have a social security number (SSN).
 - 2) Nonresident Aliens - must have an individual taxpayer identification number (ITIN) if he/she is not employed in the United States or a social security number if the taxpayer is eligible for employment.

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- 3) Individuals who do not have a taxpayer identification number may obtain one from the Social Security Administration (SS-5 Application for Social Security Numbers) or from the Internal Revenue Service (W-7 Application for Individual Taxpayer Identification Numbers).
- b. Payments to sole proprietors, partnerships, and corporations
 - 1) Sole Proprietors and Partnerships - may have social security numbers or employer identification numbers (EIN).
 - 2) Corporations – must have an employer identification number (EIN)
2. Each taxpayer should complete the appropriate IRS forms based on the taxpayer's classification. After determining the classification, one of the following forms should be filled out according to the type of taxpayer to be paid: W-9 or W-8BEN. Each taxpayer must provide their name as it appears on the social security card or taxpayer identification card.
3. All taxpayers must provide a complete permanent address.
4. Copies of the individual's Visa or I-94 form must accompany the nonresident alien's payment documents. All nonresident aliens who enter the United States must have an up-to-date Visa or I-94 form.
5. All documentation substantiating the reason for a payment request must be submitted with each payment document.
6. Failure to comply with the above minimum requirements will result in the return of the payment document to the originating department.