

## **POLICY AND PROCEDURES FOR WAIVING PAYMENT FOR SERVICES RENDERED**

### **Background:**

University faculty member and/or staff employee on occasion will offer to decline compensation for services rendered and request that the funds be retained by the University and designated for departmental use.

Generally, these requests may be accommodated on a nontaxable basis to the faculty or staff member performing the services if certain conditions are met related to constructive receipt of income as set forth in the Internal Revenue Service Regulations. Constructive receipt is a concept of tax law that taxes income at the time you have the right to actually receive the payment (cash-basis) regardless of when you actually receive it.

Individuals, as cash-basis taxpayers, are taxed on income as it is received. If the individual has the right to receive the income for services rendered, the income is “constructively received” and is taxable. To avoid constructive receipt the faculty or staff member must never have the right to receive the income, i.e. the lack of the right to receive the income must be established before the services are rendered.

### **Policy:**

This policy on waiving payment for services rendered is governed by the Internal Revenue Service regulations that require the following:

- The faculty member and/or staff employee shall indicate that services provided are to be “donated” to the University and the employee is waiving in advance any right to receive payment for the services being rendered, and
- The faculty member and/or staff employee shall be detached from the decisions regarding the subsequent expenditure of funds, and
- Expenditure of funds designated for departmental use shall be in accordance with University of Kentucky policy and procedures for procurement of goods and/or services and approval of disbursements.

### **Procedures:**

- The faculty member and/or staff employee shall complete the [\*Agreement to Waive Payment for Services Rendered form\*](#) in advance of the services being rendered.

*Policy for Waiving Payment for Service Rendered*

- The dean, director, or department head shall approve the Agreement form and budget and expend the funds in support of the department's mission with the faculty member and/or staff employee retaining no control over the use of the funds.

6/30/2005

**University of Kentucky**

**Agreement to Waive Payment for Services Rendered**

I am performing the following services for the University of Kentucky

\_\_\_\_\_ on the following date(s):

\_\_\_\_\_ and I am entering into this agreement prior to

rendering these services. I waive my right to receive payment for my services or reimbursement for any related expenses. I understand that the University of Kentucky will retain the amount to which I would have been entitled and that the University has complete discretion over the use of these funds.

I understand that as a result of this agreement, I will not receive taxable income for the services I have rendered nor will I receive a charitable contribution deduction for the income forgone.

**Signed:**

\_\_\_\_\_

Employee Signature

\_\_\_\_\_

Date

\_\_\_\_\_

Print Name

**Approved:**

\_\_\_\_\_

Dean or Department Head Signature

\_\_\_\_\_

Date

\_\_\_\_\_

Print Name

6/30/2005