

Payments for Services Subject to Tax Withholding and Reporting to the IRS

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I. Purpose

To ensure compliance with Internal Revenue Service (IRS) regulations and procedures for tax withholding and reporting for payments made to medical service providers, attorneys, sole proprietors, partnerships, and individuals.

II. Definitions

- *Award*: A gift or prize given to an individual as a result of them entering a contest, being selected by a random drawing or being selected from a pool of potential recipients that meet established eligibility criteria.
- *Service*: An act or task completed by an individual on behalf of or for the benefit of the University. Examples include, but are not limited to, the following list:
 - Payments to attorneys
 - o Legal services
 - o Legal consultation
 - Payments for consulting services
 - Payments to entertainers
 - Payments for medical services including:
 - o Physicians
 - o Physician services groups
 - o Dentists
 - o Technicians
 - o Ambulatory services
 - o Medical technician services
 - o Nursing services
 - o Patient care
 - o Therapy (all types)
 - Payments to sporting event officials and referees
 - Payments to research participants/subjects
 - Payments for prizes and awards
 - Payments for professional services (e.g., interpreters and accountants)
 - Payments for reimbursements to nonresident aliens for guest expenditures
 - Payments for rent/leases of real property
 - Payments for royalties to authors and inventors
 - Payments to visiting speakers including honorariums
 - Payments of any type made to an *individual* for personal services
 - Payments of cash tips totaling \$600 or more per year to a single individual (examples include payments to tour guides or bus drivers)

III. Responsibilities

- A. Employing officials/departments must be familiar with IRS regulations and publications for worker classification and tax reporting. See [IRS Publication 963](#).
- B. University departments must comply with IRS regulations for classifying workers as employees or independent contractors and properly classify taxpayers as U.S. citizen, resident alien or nonresident alien individuals, sole proprietors or partnerships. See BPM [E-7-3 Worker Classification: Employee or Independent Contractor](#).

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- C. University departments must comply with all IRS and Immigration and Naturalization Service (INS) regulations, including classifying workers as U.S. citizen, resident alien, or nonresident alien and gathering the necessary information for tax withholding and/or reporting, and providing proper documentation for all payments.

IV. Policy

All University departments have authority to make payments to U.S. citizens, resident aliens, and nonresident aliens. In doing so, all departments are responsible for complying with University, State, IRS and INS regulations. All such payments must be properly authorized, documented and processed in accordance with these regulations.

V. Procedures

- A. Employing officials/departments are responsible for ensuring that all forms relevant to the type of payment being made are fully and accurately completed by the taxpayer and/or the department. The name on all forms should be consistent with the name on the Social Security Card or Employer Identification Card.
 - 1. The department will send the vendor an invitation to PaymentWorks. The vendor will complete the registration in PaymentWorks and submit it to UK to be established as a vendor.
 - 2. Each vendor must complete the appropriate IRS forms based on their taxpayer classification (e.g., a [W-9](#) or [W-8BEN](#) for individuals, or a W-8BEN-E for foreign entities) and attach the forms to the PaymentWorks registration.
 - 3. Access the [Purchasing/AP Quick Reference Guide](#) and select the appropriate payment method.
 - 4. Complete the appropriate payment transaction document, attach the supporting forms as well as documentation required for the payment transaction and submit the document for approval/processing.
 - a. All nonresident aliens entering the United States must have an up-to-date Visa or I-94 form. See [BPM E-7-7 Payment to Non-Resident Alien Individuals](#) for additional details on payments to nonresident aliens.
 - b. All documentation substantiating the reason for the payment must be included with the payment document.
 - 5. An employee who makes payments of cash tips totaling \$600 or more per year to a single individual (examples include payments to tour guides or bus drivers) is responsible for collecting the appropriate tax forms and a signed receipt from the recipient. These forms must be included with the payment document.