

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

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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 (Physicians, Physician Services Groups, Dentists, Technicians, etc.) including:
 - 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 (Interpreters, Accountants, etc.)
 - 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

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- Payments of any type made to an *individual* for personal services

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 to properly classify taxpayers as U.S. citizen, resident alien or nonresident alien individuals, sole proprietors or partnerships. See [BPM E-7-3 Classifying a Worker as an Employee or Independent Contractor](#).
- 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 Immigration and Naturalization Service regulations. All such payments must be properly authorized, documented and processed in accordance with these regulations.

V. Procedures

- A. Payments to individuals:
NOTE: 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. Solicit all forms and credentials required to properly establish the payment recipient as a [vendor](#) by the Purchasing Division. Each individual must complete the appropriate IRS forms based on their taxpayer classification including a [W-9](#) or [W-8BEN](#) as well as provide a permanent address.
 - 2. Access the [Purchasing/AP Quick Reference Guide](#) and select the appropriate payment method.
 - 3. 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.
- B. Payments to LLC–Sole Proprietors, Partnerships and Corporations:
 - 1. Solicit all forms and credentials required to properly establish the payment recipient as a [vendor](#) by the Purchasing Division. Each recipient must complete the appropriate IRS forms based on their taxpayer classification. LLC-Sole Proprietors and Partnerships may have a Social Security Number or an Employer Identification Number. Corporations *must* have an Employer Identification Number. All must provide a permanent address.
 - 2. Access the [Purchasing/AP Quick Reference Guide](#) and select the appropriate payment method.

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3. 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.