

**Payments to Individuals: Taxpayer Classification for Reporting Payees to the IRS**

**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. Also, to provide guidance and direction for department heads and employing officials in determining a taxpayer's classification prior to performing any work or providing any service.

**II. Definitions**

- *U.S. Citizen:* An individual born in the United States or has received citizenship status through naturalization.
- *Resident Alien:* A classification assigned to an individual that has entered the United States as a lawful, permanent resident for the purpose of working and generally possesses a "green card".
- *Nonresident Alien:* A classification assigned to a non-U.S. citizen, or foreign national, who doesn't possess a "green card" and does not pass the "substantial presence test".
- *Substantial Presence Test:* A standard test utilizing the length of time a Non-U.S. Citizen has been in the United States during the current calendar year, Visa type and other circumstances to determine their classification.

**III. Responsibilities**

- A. Department Head/Employing Official:
  - 1. Collect/assemble the necessary forms and credentials for classification of individual taxpayers.
  - 2. Shall determine the individual taxpayer's classification prior to them performing any work or service.
- B. Area/College Business Officer:
  - 1. Shall provide guidance and assistance in the classification of taxpayers in its respective area.
- C. Accounts Payable Services and Purchasing Division:
  - 1. Shall perform the final audit and review of all classifications before approval for payment.

**IV. Policy**

All payments made to business entities or individuals by the University of Kentucky shall be in compliance with IRS, State, Office of Immigration and Naturalization Services and Institutional regulations for taxpayer classification and tax withholding and reporting.

**V. Procedures**

- A. Solicit all forms and credentials required to have the payment recipient properly established as a "[vendor](#)" by the Purchasing Division. Each business entity and 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.

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- B. Access the [Purchasing/AP Quick Reference Guide](#) and select the appropriate payment method.
- C. Complete the appropriate payment transaction document, attach the supporting forms for taxpayer classification as well as documentation required for the payment transaction and submit the document for approval/processing.
  - a. See [BPM E-7-5 Payments to U.S. Citizens and U.S. Entities](#)
  - b. See [BPM E-7-6 Payment to Resident Alien Individuals](#)
  - c. See [BPM E-7-7 Payment to Nonresident Alien Individuals](#)