

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 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 who has received citizenship status through naturalization.
- *Resident Alien:* A classification assigned to an individual who has entered the United States as a lawful, permanent resident for the purpose of working and who 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. Employing Official/Departments

1. Ensure all forms relevant to the taxpayer's classification 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, green card or Visa.
2. Ensure the necessary forms and credentials are uploaded in PaymentWorks.
3. Determine the individual taxpayer's classification prior to them performing any work or service.

B. Accounts Payable Services and Purchasing Division

1. 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 University regulations for taxpayer classification and tax withholding and reporting.

V. Procedures

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-

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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. 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](#)