

Payments to U.S. Citizens/U.S. Business Entities

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I. Purpose

To provide guidance to establish terms, limits and conditions for making payments to U.S. Citizens and U.S. business entities and to ensure compliance with Internal Revenue Service (IRS) regulations for tax withholding and reporting.

II. Responsibilities

- A. Employing official/department
 1. Determine appropriate payment method to vendor according to [Purchasing/AP Quick Reference](#);
 2. Verify vendor is in the vendor database;
 3. If vendor is not in the vendor database, send an invitation to PaymentWorks to the vendor. The vendor will complete the registration in PaymentWorks and submit it to UK to be established as a vendor.
 4. Complete appropriate documentation; and
 5. Route document for approval.
- B. Purchasing
 1. Review PaymentWorks registration for completeness; and
 2. Approve new vendors as appropriate and necessary.
- C. Accounts Payable Services
 1. Process documents for payment to vendors.

III. Policy

Payments made to a taxpayer classified as a U.S. citizen or U.S. business entity shall be in accordance with IRS, State and University regulations.

IV. Procedures

- A. Establishing vendor
 1. The department will send an invitation to PaymentWorks to the vendor. 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 and attach the supporting forms as well as documentation required for the payment transaction and submit the document for approval/processing.
- B. Non-service payments
Requests for payments to individuals, sole proprietors, and partnerships for non-service related expenditures are generally for goods but they may also include disbursements for rents, royalties, and awards.
- C. Service Related Payments

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These types of requests are generally for payments to individuals, sole proprietors, or partnerships for services including work performed by consultants, visiting speakers, honorariums and other service providers.

1. Refer to [BPM E-7-3](#) for classification factors for independent contractors.
 2. Review the [Purchasing/AP Quick Reference](#) guide to determine the appropriate method of payment for the service.
- D. See [BPM E-9](#) for information regarding payments to research subjects.