An Overview of Accounting Services

Tax Compliance

José A. Carus, Jr.
Tax Compliance Manager

IRS
Department of the Treasury
Internal Revenue Service

U.S. Citizenship and Immigration Services
Overview of Accounting Services

Tax Compliance and Reporting

What is Tax Compliance and what does it mean to the UW in general and the departments in particular?

See handout for Tax Compliance Mission, Goals, and Objectives.


Supporting leading practices to reduce risk (some tag line from AS mission or other)
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Accounting Services will be conducting a Tax Compliance Training Session for the UW-Madison. This session is intended for all levels of UW employees who deal with making payments to U.S. Persons and/or Nonresident Aliens (NRA). We will also address other tax compliance issues including sales and use tax, Unrelated Business Income Tax, etc. See outline below. The intention of this session is to make sure participants (1) know the tax compliance issues that will impact them in performing their job responsibilities, (2) know resource are available for tax compliance issues, and (3) know where to ask questions relating to tax compliance issues. The topics that will be covered in the training session are listed below:

**Presenter:** Jose A. Carus, Jr. (Tax Compliance Manager)

**Location:** 145 Birge Hall

**Date/Time:** May 20, 2016 8:30 A.M. to 11:30 A.M.

- Tax documentation requirements for payments to U.S. residents. This includes requirements for W-9's, tax withholding, backup withholding, IRS reporting, etc.
- Tax documentation requirements for payments to Nonresident Aliens (NRA). This includes requirements for ITIN’s, IRS forms (W-8BEN, 8233, etc.), tax withholding and tax treaties, IRS reporting, etc. Also includes visa issues and restrictions.
- Authorized payment methods for tax reportable payments (services, royalties, prizes and award, etc.).
- Individual Taxpayer Identification Numbers (ITIN)
- Tax reporting requirements and documentation (Federal, State, Local)
- Tax reporting for U.S. residents and Nonresident Aliens payments (Honorariums, Royalties, Research Subject Payments, Scholarships/Fellowships, etc.)
- Calendar year-end tax reporting on IRS forms 1099-MISC and 1042-S
- State Sales Tax Issues and reporting
- State Entertainer Tax Issues, forms (WT-11, etc.), and reporting
- Unrelated Business Income Tax (UBIT) Issues and reporting
- Moving Expense Tax Reporting Issues (Qualified/nonqualified expense reporting) (paid to employees or on behalf of employees)
- Tax reporting of Graduate and Undergraduate Educational Assistance for Employees
- Tax reportability of payments to or on behalf of employees (non-overnight meals, etc.)
- UW Exemption issues (UW W-9, Where is the UW exempt from Sales and Use Taxes, Etc.)
Mission:

The overall mission of the University of Wisconsin-Madison Tax Compliance Office is to promote the University’s compliance with Federal, State, and local tax laws and to act as a resource for the University community with respect to tax issues.

The Tax Compliance Office is responsible for managing tax risks and ensuring compliance with applicable tax authorities. We are committed to ensuring compliance with all applicable regulations, tax laws, and reporting requirements; and to minimize UW-Madison’s tax liability.

Goals and Objectives:

- Maintain proficiency and stay current on federal, state, and local tax regulations in order to provide the campus community with accurate, timely, and useful tax related information and guidance.
- Guide, communicate, and work with the campus community on current and applicable tax compliance and reporting issues/topics.
- Maintain the campus current on applicable tax regulations through communications via e-mail, internet web services/pages, and in-person training at all levels.
- Provide training to the campus community relating to tax compliance and reporting issues/topics at all levels.
- Establish working and functional relationships with the campus community and units.
- Continue to review policies, procedures, and associated internal controls within Accounting Services, Business Services, and the UW-Madison. Also be available as a resource for UW-System as needed and requested.
- Complete all tax reporting and year-end financial/tax reporting on schedule.

- **Report and maintain compliance with and provide the UW-Madison Support and Leadership, in the following areas:**
  - Tax Documentation requirements for Payments to U.S. residents
  - Tax Documentation requirements for Payments to Nonresident Aliens
  - Tax reporting requirements and documentation (Federal, State, Local)
  - Tax reporting for U.S. residents and Nonresident Aliens payments (Honorariums, Royalties, Research Subject Payments, Scholarships/Fellowships, etc.)
  - Calendar year-end tax reporting on IRS forms 1099-MISC and 1042-S
  - State Sales Tax Issues and reporting
  - State Entertainer Tax Issues, forms(WT-11, etc.), and reporting
  - Individual Taxpayer Identification Numbers (ITIN)
  - Unrelated Business Income Tax (UBIT) Issues and reporting
  - Moving Expense Tax Reporting Issues (Qualified/nonqualified expense reporting)
  - Tax reporting of Graduate and Undergraduate Educational Assistance for Employees
  - Tax reportability of payments to employees (non overnight meals, etc.)
The University of Wisconsin System will report taxable payments to the IRS, Wisconsin Department of Revenue, and the individual receiving the payment and withhold federal or state income taxes from payments as required by Federal and State laws. Also, the University of Wisconsin will require social security numbers or Individual Taxpayer Identification Numbers (ITINs) for non-resident aliens as required by Federal law.

In general, payments to an individual may be considered taxable income, subject to federal and/or state tax. The purpose of this policy is to discuss which types of non-salary income are taxable and which tax forms are used to report that income to the federal and state government and the individual.

**Tax Compliance and Financial Reporting Mission, Goals, and Objectives**

**Central Withholding Agreement (CWA)**

**Employee Payments**

- All employee service and award payments must be processed through the Human Resources System (HRS). Employee business expenses must be processed through the E-Reimbursement system. The only exception is for payments to employees for participating in Research Subject studies which can be paid either through (1) the Human Resources System (HRS), or (2) a Payment to Individual Report (PIR).

**Definitions**

**Federal and State Tax Reporting**

- 1099 Reporting
- 1042S Reporting
- 1099-MISC and 1042-S Tax Reportable Payments
- 1099-MISC and 1042-S Tax Reportable Payments by Account Codes
- W-2 Reporting

**Federal Tax Withholding**

- U.S. Residents
  - Backup Withholding
  - Processing Procedures
- Nonresident Aliens (NRA)
  - Calculation of Amount Withheld
  - Federal Tax Withholding
- Refund
  - Refunds of Overwithholding
Forms

- Internal Revenue Service (IRS)
  - IRS Form and Instruction Updates (04/25/14)
  - Forms
  - Using Current Versions of Forms
  - W-8BEN and 8233
- University of Wisconsin (UW)
  - Direct Payment (DP)
  - Payment to Individual Report (PIR)
  - Direct Payment/Payment to Individual Report (DP/PIR) Generator Tool
  - Payment for Services and Research Subjects
- Wisconsin Department of Revenue
  - Wisconsin Department of Revenue (DOR) Nonresident Entertainer Form WT-11 Note: applies to all Entertainers who are Nonresidents of Wisconsin whether U.S. Persons or Nonresident Aliens (NRA)

Internships and Internship Support

Legal Settlements

Nonresident Alien (NRA)

- Process and Document Flowchart for Non-Scholarship/Fellowship Payments. Includes U.S. Individual Taxpayer Identification Number (ITIN) application process.
- Process and Document Flowchart for Fellowship Scholarship, and Award Payments
- I-94 Requirements
- Sample Invitation Letter
- Sample NRA Documents and Completed PIR Documentation
  - Visa (U.S.)
  - I-94 (Departure Record)
  - Payment on B-1 (Business) Visa: Honorarium with Tax Treaty and TIN (SSN or ITIN)
  - Payment on B-1 (Business) Visa: Honorarium with Tax Treaty and ITIN Application
  - Payment on B-1 (Business) Visa: Honorarium with No Tax Treaty and TIN (SSN or ITIN)
  - Payment on B-1 (Business) Visa: Honorarium with No Tax Treaty and ITIN Application
  - Payment on J-1 (Student) Visa: Scholarship with Tax Treaty and TIN (SSN or ITIN)
  - Payment on J-1 (Student) Visa: Scholarship with Tax Treaty and ITIN Application
  - Payment on J-1 (Student) Visa: Scholarship with No Tax Treaty and TIN (SSN or ITIN)
  - Payment on J-1 (Student) Visa: Scholarship with No Tax Treaty and ITIN Application
- Visas
  - Fees
  - Restrictions and Tax Treaties
  - Waiver Program Countries and Documentation Requirements
- Royalties Payments (Tax Withholding and Reporting)

Non-U.S. Source Income (Payments to Non-Resident Aliens for work performed Outside the U.S.)

Payment Methods (Allowable for Tax Reportable Payments)
Payment Recipient Types

- Limited Liability Company (LLC)

Resolving Tax Issues Prior to Payment

Royalties (Definition, Payment Processing, and Tax Reporting)

Sales and Use Tax

- UW Policy
  - 402-Accounting for Sales Tax Collections
- Wisconsin Department of Revenue (DOR)
  - WI Tax Requirements Relating to Nonresident Entertainers (Publication 508)
  - Sales and Use Tax Information (Publication 201)
  - Sales and Use Tax Information for Colleges, Universities, and Technical Colleges (Publication 204)
  - Sales Tax Exemptions for Nonprofit Organizations (Publication 206)
  - Sales Tax Rate Chart (includes County Tax Rates)
- Where is the UW Exempt?
  - States -
    - To avoid paying lodging tax outside the state of Wisconsin, please see UW Travelwise to see if the University has a tax exemption agreement with the state you are traveling to. Use the following navigation: Before You Go > Travel Process Standards > Sales Tax Exemption > Obtaining Sales Tax Exemption from Other States.
  - Countries: UW is not exempt outside the U.S.
    - Note: UW is not exempt from Excise tax or other non-Sales and Use Tax

Sponsorship Payments

Support Payments

- Employment Support
- Internship Support
- Scholarship Support to UW Students related to their study or research (U.S. Residents)
- Scholarship Support to Non-UW Students related to their study or research (U.S. Residents)
- Scholarship Support to UW Students related to their study or research (Nonresident Aliens (NRA))

Training

- Presentation Slides

Tuition Reporting (1098-T and 1098-E)

Value Added Tax (VAT)

W-9 for UW (IRS Approved Substitute W-9 for UW)
W-9 Compliance

- Requirements
- WISDM Vendor Search with W-9 Field Indicator
- Expiration of Forms W-9 and W-8BEN

Wisconsin Entertainer Tax

- Definition of Nonresident Entertainer
- Examples of Nonresident Entertainer
- Reciprocity Agreements
- Contract Price
- Procedures for Filing Surety Bond or Cash Deposit
- Entertainment Contract Process
- Tax Withholding and Reporting
- Third Party Payment Policy
- WI Tax Requirements Relating to Nonresident Entertainers (Publication 508)

Year End Tax Reporting/Responsibilities

Appendix 1 - UW-Madison Interpretation/Definition of Entertainer

Appendix 2 - Important Tax Information

Contact

Jose A. Carus Jr.
**UNIVERSITY OF WISCONSIN - MADISON**

**DEFINITIONS**

**IRS Definition of a Scholarship/Fellowship**

- Scholarship and fellowship payments are treated the same for income tax purposes (Regulations 1.117-3)
- If a scholarship or fellowship represents a payment for past, current, or future services then the payment is considered wages.


✓ **Scholarships and Fellowships**

A scholarship is generally an amount paid or allowed to, or for the benefit of, a student (whether an undergraduate or a graduate) at an educational institution to aid in the pursuit of his or her studies.

A fellowship is generally an amount paid for the benefit of an individual to aid in the pursuit of study or research.

**Amount of scholarship or fellowship.** The amount of a scholarship or fellowship includes the following:

✓ The value of contributed services and accommodations. This includes such services and accommodations as room (lodging), board (meals), laundry service, and similar services or accommodations that are received by an individual as a part of a scholarship or fellowship.

✓ The amount of tuition, matriculation, and other fees that are paid or remitted to the student to aid the student in pursuing study or research.

✓ Any amount received in the nature of a family allowance as a part of a scholarship or fellowship.

**National Association of College Business Officers (NACUBO) Definition of a Scholarship/Fellowship**

✓ **Scholarships**

Scholarships are classified as resources restricted to provide financial support to undergraduate, graduate, and/or professional students based on academic achievement, need, or other criteria. Typically, this sub-category includes grants-in-aid, trainee payments, and tuition and fee waivers to undergraduate students. Typically, scholarships are restricted for and awarded to undergraduate and professional students, but it is also allowable to award scholarships to graduate students (unless prohibited by any applicable guidelines). Scholarships include outright financial aid, trainee payments, and tuition and fee waivers which are used to aid students in the pursuit of their studies (i.e., these payments are typically used by the students to offset educational expenses such as tuition, fees, room & board, books, school supplies, etc.). Recipients of scholarships are not expected to render services to the institution as a consideration for their scholarship, nor are they expected to repay their scholarships.

✓ **Fellowships**

Fellowships are classified as resources restricted to provide financial aid and trainee payments to graduate students to aid in the individual’s pursuit of study or research. Typically, this sub-category includes grants-in-aid and trainee payments to graduate students. Fellowships are a common form of aid typically awarded to graduate students, and recipients of fellowships are not expected to render service to the institution as consideration for their fellowship, nor are they expected to repay their fellowship award. Thus, fellowships do not include funds for which services to the institution must be rendered, such as assistantships or payments for teaching, which both require performance or service on the part of the individual.
Prizes/Awards

Resources restricted to provide a direct financial payment to graduate, undergraduate, and/or professional students based on achievement, performance or other criteria. These awards/prizes are made in the form of a direct monetary payment to the student, and are not related to employment services. Typically, unless otherwise stated in any applicable guidelines, there are no restrictions on how the student can use the award money (i.e., this money can be used by the student for any purpose; it is not limited to strictly educational expenses), and these award payments are typically the result of an award/payment issued to a student as a result of the student’s performance in some sort of competition or contest. These payments to the students would typically be considered taxable income to the student.

UW System Administration (UWSA) Definition and restrictions on a Prize/Award ([http://www.uwsa.edu/fadmin/fppp/fppp46.htm](http://www.uwsa.edu/fadmin/fppp/fppp46.htm))

Prize

Something of value conveyed as a result of chance, generally for promotional purposes, to one or more participants in a University-sponsored event. Prizes may be awarded only in situations where benefits are expected to accrue to the University. Examples include door prizes to persons attending athletic events and prizes awarded as incentives to encourage responses to customer questionnaires and other types of surveys. The anticipated benefits of awarding a prize must be documented, and the decision to award prizes must be approved in writing by the chancellor or his/her designee.

Award

Recognition or something of value conveyed as a result of competition, merit or in recognition of service to the institution on the part of the recipient. Awards are based upon competition or merit are made to recognize academic or athletic achievements of students; service awards may be made to recognize members of the community and noncash awards may be made to recognize employees for distinguished service, upon retirement or at other career milestones.


Permanent Resident

You are a lawful permanent resident of the United States at any time if you have been given the privilege, according to the immigration laws, of residing permanently in the United States as an immigrant.

Resident Alien (RA)

To be classified as a resident alien, the individual must meet one of two tests:

1. **Green Card Test:** A non-resident alien is a lawful permanent resident of the U.S. at any time if they have been given the privilege, according to the immigration laws, of residing permanently as an immigrant. This status usually exists if the Bureau of Citizenship and Immigration Services has issued a green card.

2. **Substantial Presence Test:** A non-resident alien is classified as a resident alien for tax purposes if they were physically present in the U.S. for 31 days during the current year and 183 days during a three-year period that includes the current year and the two years immediately before that. Information on the test is available at [http://www.irs.gov/pub/irs-pdf/p519.pdf](http://www.irs.gov/pub/irs-pdf/p519.pdf)

Nonresident Alien (NRA)

If a person does not meet either the Green Card or Substantial Presence Test, then that person is classified as a non-resident alien.
• A new arrival on a J-1 or F-1 visa is generally a non-resident alien.
• Students (F-1 or J-1 visa status) will not meet the substantial presence test until they have been in the USA for 5 calendar years and visiting teachers/researchers (J-1 visa status) will not meet the substantial presence test until they have been in the USA for 2 calendar years.
Federal and State Tax Reporting

1099 Reporting--Payments to U.S. Residents

The following chart lists the types of payments to U.S. resident individuals (including resident aliens), sole proprietorships, limited liability companies, and partnerships which are reported on form 1099-MISC to the taxpayer, the Wisconsin Department of Revenue, and the Internal Revenue Service. Total payments to a taxpayer are summed by category (services, prizes and awards, rent, and royalties) at the end of each calendar year. If payments in any category reach the UW reporting level shown below, a 1099-MISC is produced and payments are reported to tax authorities. Each year Accounting Services prepares and mails all 1099-MISC forms no later than January 31st as required by the Internal Revenue Service (IRS) regulations.

Reporting Requirements

<table>
<thead>
<tr>
<th>Type of Payment</th>
<th>Federal Law</th>
<th>State Law</th>
<th>UW Reporting Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td>$600</td>
<td>$600</td>
<td>$600</td>
</tr>
<tr>
<td>Business Purpose Documented Travel not included in the services payment</td>
<td></td>
<td>Not reportable</td>
<td></td>
</tr>
<tr>
<td>Research Subjects</td>
<td>$600</td>
<td>$600</td>
<td>$600</td>
</tr>
<tr>
<td>Prizes and Awards</td>
<td>$600</td>
<td>$600</td>
<td>$600</td>
</tr>
<tr>
<td>Rentals</td>
<td>$600</td>
<td>$600</td>
<td>$600</td>
</tr>
<tr>
<td>Royalties</td>
<td>$10</td>
<td>$100</td>
<td>$10</td>
</tr>
<tr>
<td>Scholarships/Fellowships</td>
<td>Payments are tax reportable to recipient, but none are reportable on form 1099-MISC.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

An IRS forms W-9 is required when making tax reportable payments as the UW is required to obtain the following information on all potentially reportable payments: legal name, permanent mailing address, U.S. Taxpayer Identification Number (Social Security Number (SSN), Individual Taxpayer Identification Number (ITIN), Federal Employer Identification Number (FEIN or EIN). Sufficient description about the payment is necessary so the correct classification may be determined. This information is required for all payments on reportable categories (services, prizes and awards, rent, royalties) listed above, regardless of amount. If no U.S. Taxpayer Identification Number is provided, payments may be subject to withholding (see withholding section of this manual). Non-reportable payments (scholarships/fellowships and student loans to UW students) require a U.S. Taxpayer Identification Number for financial aid reporting purposes. If the student does not have a U.S. Taxpayer Identification Number, student ID# is required. Mailing address is not required on these payments.

1042-S Reporting--Payments to Nonresident Aliens (NRA)

An IRS forms W-8BEN is required when making tax reportable payments as the UW is required to obtain the following information on all potentially reportable payments: legal name, permanent mailing address, U.S. Taxpayer Identification Number (Social Security Number (SSN), Individual Taxpayer Identification Number (ITIN), Federal Employer Identification Number (FEIN or EIN). All payments to nonresident aliens, regardless of amount, which represent compensation for services, rent, royalties, prizes and awards, training stipends, scholarships, and fellowships are reported to the individual and the Internal Revenue Service (IRS) on Form 1042-S. These payments must be processed on the Payment to Individual Report (PIR). All payments must include certain required documentation and are subject to immigration and visa restrictions as outlined in [http://www.bussvc.wisc.edu/howto/acct/requiredtx.html](http://www.bussvc.wisc.edu/howto/acct/requiredtx.html). All payments reportable on Form 1042-S require a permanent mailing address and country of residence on the Payment to Individual Report (PIR). If the individual is claiming exemption or a special withholding rate for non-scholarship/fellowship payments, IRS Form 8233 must be completed, signed, and attached (see withholding section in this manual). The 1042-S forms will be prepared and mailed by Accounting Services no later than March 15 of each year.
A Nonresident Alien (NRA) is an individual whose residence is not within the United States and who is not a U.S. citizen. A Resident Alien is an individual who is a lawful permanent resident of the United States at any time during the calendar year. This is known as the "green card" test. Alternatively, an alien is considered a U.S. resident if the individual meets the "substantial presence" test for the calendar year. Under this test, the individual must be physically present in the United States or present at least:

1. 31 days during the current calendar year, AND
2. 183 days during the current year and the 2 preceding years, counting all the days of physical presence in the current year but only 1/3 the number of days of presence in the first preceding year and only 1/6 the number of days in the second preceding year.

However, individuals present in the U.S. under a J or Q non-student visa are considered "exempt individuals" until they have been present for two calendar years out of the last six years. Therefore, they do not begin to count days of presence toward the presence test until they are no longer "exempt individuals". Students present in the U.S. under F, J, M or Q student visas are considered "exempt individuals" until they have been in the U.S. for any part of five calendar years.

For more information on resident and nonresident status, the tests for residence, and the exceptions to them see the IRS Publication 519, U.S. Tax Guide for Aliens. You may call the Internal Revenue Service at 1-800-829-3676 (1-800-TAX-FORM) for a copy or visit the IRS page.

All categories of J-1 exchange visitors are eligible for social security numbers and should apply at a Social Security Administration office or at a U.S. Embassy or Consulate. F-1 and J-1 students who are not employed are not eligible for social security numbers, and should apply for an ITIN by filing IRS Form W-7 at a local IRS office or through the UW Tax Compliance Office. Contact a Dean's office or Accounting Services for more information.

For more information on Visa requirements and the tax issues to consider when paying non-resident aliens, see UW-Madison Handbook "Payments to Foreign Nationals".

**W-2 Reporting--Non-Overnight Meals, Moving Expenses, Educational Assistance**

The expenses/reimbursements listed below are reported by Accounting Services to the Human Resources System (HRS) and appropriate federal, state, and FICA taxes will be withheld. These payments will also be included in gross income on employees' W-2 forms.

**Meals**
In general, employee reimbursements for meals are not taxable and not reportable to the IRS. The only exception is for meals not associated with an overnight stay and not related to recruiting of students or job applicants.

**Moving Expenses**
Household moving expense reimbursements may be partially taxable and included in gross income on employees' W-2 forms. Accounting Services reviews each employee's reimbursement, separating it into "Qualified/Deductible" expenses and "Non-qualified/Non-deductible" expenses, according to the guidelines in IRS Publication 521.

**Educational Assistance**
Reimbursements to employees for job-related training are not taxable or reportable. To qualify as job-related, the training must be:

- required by the employer or required as a condition to the retention of an established position or status (e.g., continuing professional education courses), or
- taken to maintain or improve skills required in the employee's present position.

In addition, the training cannot be required to meet the minimum educational requirements for the employee's position or qualify the employee for a new trade or business. All other training is considered career-related.
Graduate and Undergraduate career-related tuition reimbursements are not taxable or reportable for tax reporting purposes unless they exceed $5,250 in a calendar year. When the payments exceed $5,250 the excess over $5,250 is the only part reported by Accounting Services to the Human Resources System (HRS) and appropriate federal, state, and FICA taxes will be withheld. Only the excess over $5,250 will be included in gross income on employees' W-2 forms.
Federal Tax Withholding

Backup Withholding on Payments to U.S. Residents

Payments to U.S. residents for services, prizes and awards, rents, and royalties are generally not subject to federal tax withholding. However, withholding will apply at the rate of 28% in either of the following circumstances:

- Payment recipient fails to provide a U.S. Taxpayer Identification Number (Social Security Number (SSN), Individual Taxpayer Identification Number (ITIN), Federal Employer Identification Number (FEIN or EIN), or
- Internal Revenue Service notifies Accounting Services to begin withholding for the taxpayer due to incorrect U.S. Taxpayer Identification Number, or
- IRS W-9 form is not completed, signed, and submitted prior to the payment

The State of Wisconsin does not require backup withholding when the recipient’s U.S. Taxpayer Identification Number is not provided. However, withholding of state tax may apply to payments made for entertainment or public speaking services (see Wisconsin Entertainer Tax section).

Withholding of Federal Tax on Payments to Nonresident Aliens (NRA)

Payments to nonresident aliens which are compensation for services, rent, royalties, prizes and awards, training stipends, scholarships, and fellowships are subject to federal tax withholding unless exempted by federal law or treaty. Following are descriptions of income that may be exempt from withholding.

- Travel Reimbursements
- Non-US Source Income
- Exemptions by Tax Treaty
- A.I.D. Grants
- Income Connected with a U.S. Trade or Business
- Participant Maintenance and Travel Expenses

Each item is discussed in detail in the upcoming sections.

Travel Reimbursements

Travel reimbursements are exempt from withholding if receipts are provided and attached to the Payment to Individual Report (PIR) or e-reimbursement forms. The transaction should be coded to a travel account code and documentation supporting the transaction must be maintained and available for review and audit purpose. For further instructions, contact Accounting Services Tax Compliance Office at (608) 262-0582.

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Non-U.S. Source Income

Non-U.S. source income is exempt from withholding and reporting. Personal service income is considered non-U.S. source if the service takes place outside the United States. The place where services are performed determines whether the income is subject to withholding regardless of where the contract was made, the place of payment, or the residence of the parties. If you are making a payment on which the source is unclear (services provided partially in the U.S. and partially in another country, for example), be sure to provide complete details on the PIR so Accounting Services may properly calculate the amount subject to withholding.

Rental income on properties outside the U.S. is considered non-U.S. source and is exempt from withholding and reporting.

Scholarships, fellowships, and participant support payments from foreign governments, granting agencies or International agencies are
considered non-U.S. source and are exempt from withholding and reporting. In addition, scholarships, fellowships and participant support payments made to students and/or participants for study or research done outside of the U.S. are exempt from withholding and reporting.

Exemptions by Tax Treaty

Income may be exempt under a tax treaty between the United States and the payee's country of residence or citizenship. Withholding will not apply if the payee files form W-8BEN (for scholarships/fellowships) or 8233 (for non-scholarships/fellowships)(described below) with the University.

Form 8233 is used by nonresident aliens to claim exemption from withholding on compensation for services when the exemption is based on a tax treaty. The form is available on the Internet at the IRS page or contact Accounting Service Tax Compliance Office at (608) 262-0582. The form is completed by the Nonresident Alien (NRA) claiming exemption. Before accepting this form, review it for completion and accuracy. If the form is incomplete, the exemption from withholding will be denied. The form is considered incomplete without a valid U.S. Taxpayer Identification Number. If you know of any reason that any of the statements on the form are false, do not accept the form. The UW is not federally required to give treaty benefits.

Completed forms 8233 should be attached to the PIR. A new form must be completed each calendar year. If a form is not filed, taxes will be withheld unless the payment is otherwise exempt and the exemption is supported by official documents from the IRS.

If the individual has a U.S. Taxpayer Identification Number (Social Security Number (SSN), Individual Taxpayer Identification Number (ITIN), Federal Employer Identification Number (FEIN or EIN), it should be entered on the form. If the number has been applied for, but has not yet been received, enter "applied for" and the date of the application in the space provided. When the individual receives the number(s)he should send it to Accounting Services Tax Compliance Office, 21 N Park St., Suite 6234, Madison, WI 53715-1218. Individuals who do not have a U.S. Taxpayer Identification Number cannot be paid until application for a number has been made. For more information, contact your Dean's office or Accounting Services Tax Compliance Office.

Form W-8BEN is used to claim exemption from withholding on payments for scholarships. It is also used to claim exemption from withholding or a reduced withholding rate on payments for rents or royalties due to the existence of a tax treaty. A U.S. Taxpayer Identification Number is required. Completed forms W-8BEN must be attached to the PIR. A new form must be completed each calendar year. If a form is not filed, taxes will be withheld unless the payment is otherwise exempt and the exemption is supported by official documents from the IRS.

Participant Maintenance Payments on A.I.D. Grants

Amounts of per diem for subsistence paid by the U.S. Government (directly or by contract) to a nonresident alien engaged in a training program in the United States under the Mutual Security Act of 1954 are not subject to withholding. This exemption applies to all maintenance payments on Agency for International Development (A.I.D.) training grants. The exemption applies to maintenance payments only–travel and other expenses are not exempt under this rule.

Income Connected With a U.S. Trade or Business

Withholding is not required when income is effectively connected with a U.S. trade or business and the payee has filed Form 4224, including the payee's U.S. taxpayer identification number. This exclusion does not apply to income for personal services provided by an individual. The completed form should be attached to the PIR.
Particpant Maintenance and Travel Expenses

IRS regulations allow business deductions if an individual has established a tax home through regular employment in a foreign country, and intends to return to similar employment in the same country at the end of a temporary stay in the United States. Deductible expenses include transportation (airfare and local), lodging (rent, utilities, and hotel, but not telephone), and a meal allowance. IRS Publication 519 (U.S. Tax Guide for Aliens) outlines the requirements in further detail.

The University is not required to withhold taxes on this type of payment, if the nonresident student or grantee is present in the U.S. under an F, J, M or Q VISA and files IRS Form W-4 with the University. On the W-4 form, the student or grantee may deduct away-from-home expenses (meals, lodging and transportation), if he or she expects to be away from his or her tax home for one year or less. If you are dealing with participants whom you believe meet these qualifications, contact Accounting Services at 262-0582 for further information.
Internships and Internship Support Payments

- Internships are considered employment positions and therefore must be paid through the Payroll system.

- Payments made to interns whether in the form of cash (salary, hourly rate, etc.) or support (in lieu of cash), using university funds for off or on-campus internship positions must be payrolled.

- Support payments (housing, transportation, etc.) to interns are considered by the Internal Revenue Service (IRS) to be income payments in lieu of cash (salary, hourly rate, etc.).

- See UW Madison Unclassified Title Guideline (http://www.ohr.wisc.edu/polproced/utg/EITtitles.html) under the Intern (Non-Physician) header.

- Support payments to interns should not be recorded under any 57xx account code because the 57xx account code series are scholarships/fellowships, including support, for students in their role as students not any employment position. For internships, like other Payroll positions, the support payment is support for what is considered by the IRS to be a paid employment position (internship) therefore it must be processed through Payroll as income to the intern.

- For questions please contact your Dean’s Office or Jose A. Carus, Jr. (Tax Compliance Manager)
Non-Resident Alien (NRA)

Two most important things to remember when dealing with Non-Resident Aliens (NRA’s):

• Proper planning, asking questions, and research are the most important things to remember to do before inviting an NRA to your campus.

   Note: Campus personnel have a tendency to invite people before asking the business office about requirements for NRAs. Educating, training, and informing your campus personnel on NRA requirements are critical so your campus does not invite someone we cannot pay.

• The Visa status of the NRA on their current trip to the U.S. regulates what can and can’t be paid to the visitor.

Supporting leading practices to reduce risk (some tag line from AS mission or other)
Nonresident Alien (NRA)

- The UW’s policy regarding payments to NRA’s has been in place for over thirteen years and is reviewed on a regular basis by the Tax Compliance Area to make sure it stays consistent with any changes in the IRS and Homeland Security regulations. No changes have been made to the policy in this time period as the requirements by Homeland Security and the IRS have not changed.

- All income to NRA’s must be reported on an IRS Form 1042-S each calendar year. See Year End Tax Reporting/Responsibilities.

- Every visa type has limitations and restrictions as to the payment types that can be made on them. These restrictions are set by U.S. Immigration and Naturalization Service (USCIS) (Department of Homeland Security). The more commonly used visa types at the UW and their associated restrictions are listed in the Policy and Procedure: 601-Tax Compliance, Reporting, and Withholding on Non-Salary Payments under the Nonresident Alien (NRA) header. Direct link is http://www.bussvc.wisc.edu/acct/tax/foreign/acimmtax.html.

- For individuals, documentary evidence must be provided that
  a) Include the individual’s name, address, and photograph,
  b) Is an official document issued by an authorized government body, and
  c) Is issued no more than 3 years prior to being presented to you.

  For general IRS rules and regulations on requirements for foreign beneficial owners see http://www.irs.gov/Individuals/International-Taxpayers/Forms-for-Foreign-Beneficial-Owners

  Note: To meet the documentary evidence requirement all we need to do is have a copy of the passport in addition to the I-94. I-94 is required to show that the person is physically present in the U.S. and to show the visa status to determine what payments can be made to the visa holder.

  The use of the passport and I-94 for meeting the IRS requirements was confirmed by the UW Madison Tax Compliance Area as part of the 2005-2006 IRS Audit of the UW by the IRS.

- The UW requires immigration documentation for all NRA’s payments be included with the payment paperwork because NRA’s, travel in-and-out of the U.S. many times so we need to be assured of the visa status on their current stay in the U.S. to make sure we are making legitimate payments.

- Paying entities must withhold required federal taxes from all payments to NRA’s unless the NRA’s home country and the U.S. have a tax treaty for the payment type. If a tax treaty exists it cannot be granted unless the IRS Form 8233 is completed and signed. In order for the 8233 to be complete it must include a U.S. Taxpayer Identification Number (TIN).

- We also need to see past history on their documents for tax treaty benefits and determining whether they are eligible for them. This determination needs to be done because some tax treaties are limited and only allow certain number of days and/or dollar amounts to be paid under the treaty.

- We also need to verify past history because details on multiple trips may have changed the NRA’s status while in the U.S. or the NRA may have passed their Substantial Presence Test in which case they would no longer be eligible for tax treaty benefits and in some cases could be treated as a U.S. Resident Alien for tax purposes only.

- Please note that it is not only for compliance and risk mitigation for the UW that we collect require documents and information from NRA’s. We also do this to assure that NRA’s don’t have future immigration problems by receiving payments their visa status prohibits. For example, if an NRA receives a prohibited payment and in the future the NTRA tries to apply for another immigration status like another visa status, residency, citizenship, etc., then USCIS could deny them the status because they received prohibited payments or did not file taxes for payments received. The UW must look at payments to NRA’s from both the UW’s tax and
immigration compliance side and also from the NRA’s tax and immigration compliance side to make sure we don’t jeopardize the NRA with our actions.
Is the payment Tax Reportable?

Consult (1099-MISC/1042S Tax Reportable Transactions by Account Codes)

- Yes
  - Obtain an IRS form W-9.
    - W-9 Form Available at: IRS web page at (http://www.irs.gov/).
    - Important Note: If a W-9 is not obtained the UW can still make a payment but we are required by the IRS to withhold 28% backup withholding for U.S. Residents (see procedures at Backup Withholding (28%) for Payments to U.S. Taxpayers).
    - Attach documents listed above to the payment request form (PIR, DP, etc.)

- No
  - Options:
    - (1) Provide a UW-Madison Vendor Number or Vendor Number Lookup: For Vendor numbers see (How to use vendor search in WISDM for SFS AP transactions).
    - (2) Obtain a W-9 and provide U.S. Taxpayer Identification Number obtained from the W-9 or (3) include only the last four digits of the payee’s U.S. Taxpayer Identification Number obtained from the W-9.

First Time Vendors: For payees being paid for the first time by the UW, provide the UW-Madison Vendor Number or Vendor Number Lookup: For Vendor numbers see (How to use vendor search in WISDM for SFS AP transactions).

Established Vendors: For payees that have been paid before by the UW, provide (1) a UW-Madison Vendor Number or (2) the U.S. Taxpayer Identification Number from the W-9 obtained in the preceding box.

Vendor Number Lookup: For Vendor numbers see (How to use vendor search in WISDM for SFS AP transactions).

Complete an IRS form W-8BEN or 8233.

- See use of forms writeup at Use of W-8BEN and 8233 Forms. Tax rate with treaty is 0% except for royalties (see below).
- For Royalties see IRS Publication 901, Table 1 (http://www.irs.gov/pub/irs-pdf/p901.pdf) for reduced rate.
- Attach documents listed above to the payment request form (PIR, DP, etc.)

Taxes will be withheld at a rate of 14% for Scholarships, Fellowships, and 30% for all other tax reportable payments (Services, Royalties, etc.)

Is the payee a Resident of the United States for Tax Purposes? (Do they file taxes in the United States?)

Payment cannot be made!

- Yes
  - Obtain copy of Passport and I-94 (For Visa Waiver Countries see I-94W or other documentation necessary for processing payments)
    - Note for Canadians Only: For Canadians only...if the visitor did not obtain an I-94, you may use a second form of picture ID in lieu of the I-94.
    - Attach documents listed above to the payment request form (PIR, DP, etc.)

- No
  - First Time Vendors: For payees being paid for the first time by the UW, provide the UW-Madison Vendor Number or Vendor Number Lookup: For Vendor numbers see (How to use vendor search in WISDM for SFS AP transactions).

Is type of payment allowed for the specific Visa type?

Consult (Payment to Foreign Nationals)

Options:

- Yes
  - For Visa Waiver visitors see Visa Waiver Program

- No
  - Consult Obtain/Apply for a Taxpayer Identification Number (SSN, EIN, ITIN).
    - Yes
      - Consult Obtain/Apply for a Taxpayer Identification Number for Non-Resident Aliens (NRA).
    - No
      - For Visa Waiver countries see I-94W or other documentation necessary for processing payments.

Is the payment Tax Reportable?

Consult (1099-MISC/1042S Tax Reportable Transactions by Account Codes)

Options:

- Yes
  - Obtain an IRS form W-9.
    - W-9 Form Available at: IRS web page at (http://www.irs.gov/).
    - Important Note: If a W-9 is not obtained the UW can still make a payment but we are required by the IRS to withhold 28% backup withholding for U.S. Residents (see procedures at Backup Withholding (28%) for Payments to U.S. Taxpayers).
    - Attach documents listed above to the payment request form (PIR, DP, etc.)

- No
  - For Royalties see IRS Publication 901, Table 1 (http://www.irs.gov/pub/irs-pdf/p901.pdf) for reduced rate.
  - Attach documents listed above to the payment request form (PIR, DP, etc.)

First Time Vendors: For payees being paid for the first time by the UW, provide the UW-Madison Vendor Number or Vendor Number Lookup: For Vendor numbers see (How to use vendor search in WISDM for SFS AP transactions).

Established Vendors: For payees that have been paid before by the UW, provide (1) a UW-Madison Vendor Number or (2) the U.S. Taxpayer Identification Number from the W-9 obtained in the preceding box.

Vendor Number Lookup: For Vendor numbers see (How to use vendor search in WISDM for SFS AP transactions).

Is type of payment allowed for the specific Visa type?

Consult (Payment to Foreign Nationals)

Options:

- Yes
  - For Visa Waiver visitors see Visa Waiver Program

- No
  - First Time Vendors: For payees being paid for the first time by the UW, provide the UW-Madison Vendor Number or Vendor Number Lookup: For Vendor numbers see (How to use vendor search in WISDM for SFS AP transactions).

Does the payee have a United States Taxpayer Identification Number (SSN, EIN, ITIN)?

Consult Obtain/Apply for a Taxpayer Identification Number for Non-Resident Aliens (NRA).

Options:

- Yes
  - Obtain an IRS form W-8BEN for NonResident Aliens (NRA).
    - W-8BEN Form Available at: IRS web page at (http://www.irs.gov/).
    - Important Note: If a W-8BEN is not obtained the UW can still make a payment but we are required by the IRS to withhold 30% withholding from Nonresident Aliens (NRA).
    - Attach documents listed above to the payment request form (PIR, DP, etc.)
Lump Sum Non-Service Payments to Fellows and Scholars for Fellowships, Scholarships and Awards.

**Fellowship**
- **Nonresident Aliens**
  - 14% Federal Tax
  - Payroll-New Empl Record
    - Account Code: 5714
    - Earnings Code: SFS
    - Empl Class: SA1
    - Pay Group: ARS
    - Pay Basis: L (Lump)
    - No Fringes
  - Income Reported to IRS: 1042-S
  - Scholarship/Fellowship Letter from Service Center, no IRS reporting requirement for UW

**Scholarship**
- **NRA**
  - 14% Federal Tax
  - Payroll-New Empl Record
    - Account Code: 5714
    - Earnings Code: SFS
    - Empl Class: SA1
    - Pay Group: ARS
    - Pay Basis: L (Lump)
    - Fringes
  - Income Reported to IRS: 1042-S
  - Approved by Financial Aid
  - Scholarship/Fellowship Letter from Service Center, no IRS reporting requirement for UW

**Awards**
- **NRA**
  - 30% Tax
  - Taxable Income
  - Payroll
    - Account Code: 5709
    - Not Program Code 9
  - Post to ISIS-Bursar Automated Departmental Scholarships system
    - Account Code: 5711
    - Program Code: 9

- **RA/Citizen**
  - Tax Credit: $ Direct to UW
    - Cost of Attendance: Tuition/Books/Fees/Supplies/Equipment
  - Taxable Income: $ to Student
    - Room/Board/Discretionary/Research/Travel

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*If an individual is an alien (not a U.S. citizen), they are considered a nonresident alien for tax purposes unless they meet one or two tests. They are a resident alien for tax purposes if they meet either the green card test or the substantial presence test for the calendar year (January 1-December 31). Resident Aliens are taxed like U.S. citizens.*
Overview of Accounting Processes

**Tax Compliance**

**Non-U.S. Source Payments**

- Payments made to a Nonresident Alien (NRA) for services performed outside the U.S.

- No immigration or tax issues to deal with. Considered by IRS to be “Non-U.S. Source Income.” see (http://www.irs.gov/businesses/small/international/article/0,,id=106264,00.html)

- Does not apply to Payments to U.S. Resident performing work outside U.S. as U.S. residents are taxed on World-Wide Income.
Overview of Accounting Processes

**Authorized Methods for Processing Tax Reportable Payments**

Direct Payment (DP) = **YES**
Payment to Individual Report (PIR) = **YES**
e-Reimbursement = **NO**
P-card = **YES as of 01/01/2011**
Personal Funds (and expect reimbursement) = **NO**

**Important:** See article in *Administrative News* Newsletter, September 2010, Page 4, right side near bottom in Tax Area. Link is: [http://www.bussvc.wisc.edu/bsnews/admin_news_index.html](http://www.bussvc.wisc.edu/bsnews/admin_news_index.html)
Overview of Accounting Processes

Authorized Methods for Processing Tax Reportable Payments

- Effective January 1, 2011, organizations are no longer required to report on tax reportable payments made with a credit card. As a result, the University will no longer be required to file an IRS Form 1099-MISC for taxable payments made with Purchasing Cards. Payment settlement entities, (e.g. acquirers and third-party settlement organizations) will instead be required to report on all credit card transactions settled by their networks. For further details, see Payment Card and Third Party Network Transactions

- Effective immediately, services and all other tax reportable payments are allowable on the UW-Madison Purchasing Cards provided all of the standard Purchasing Card Policies and Procedures are being followed. The policy change is now reflected on the following pages:

  ➢ Purchasing Card Frequently Questioned Purchases under “Services” and “Tax Reportable Payments”
  ➢ The Tax Reportable Payments document
  ➢ The 1099-Misc/1042S Tax Reportable Transactions
Resolving Tax Issues Prior to Payment

Before payment is requested, it is important that individuals be informed of the possibility that taxes may be withheld and payments may be reported to the Internal Revenue Service and the Wisconsin Department of Revenue.

Accounting Services has developed a document summarizing the potential tax implication of payments to individuals. A copy of this document, entitled "Important Tax Information", is provided in Appendix 2. Be sure to provide a copy to all individuals to whom you make payments for services, rents, royalties, prizes, or awards. If an individual has questions regarding the content of the document, he or she should be referred to their Dean Office or the Accounting Services Tax Compliance Office at 262-0582.
**Royalties (Definition, Payment Processing, and Tax Reporting)**

### Definition

- UW-Madison adopts the IRS policy definition of a “royalty” as something paid to obtain intellectual property, or to use intellectual property or rights to such property. See [Instructions for IRS 1099-MISC Reporting](#).
- UW-Madison recognizes that the publishing industry may separate the operational aspect of the following transactions; however, the IRS classifies the following expenditure terms similarly:
  - Royalty
  - Patents
  - Licensing
  - Copyrights
  - Rights
  - Trade Names
  - Trademarks
  - Intellectual
  - Permissions

### Payment Processing

#### For U.S. Citizens and Permanent Residents:

- Use a Direct Payment (DP) form. Use of the procurement card (Pcard) or payment by personal funds with the expectation of being reimbursed by the UW is not allowed due to documentation and approval requirements associated with rights related purchases per Purchasing Policy and Procedure 4.
- Invoice or other supporting documentation should be provided with the DP.
- The DP funding string should use Account Code 3860 (Royalties).
- A completed and signed IRS Form W-9 should be attached to the DP.

#### For Nonresident Aliens (NRA):

- Use a Payment to Individual Report (PIR) form. Use of the procurement card (Pcard) or payment by personal funds with the expectation of being reimbursed by the UW is not allowed due to documentation and approval requirements associated with rights related purchases per Purchasing Policy and Procedure 4.
- Follow procedures at Policy and Procedure: 601-Tax Compliance, Reporting, and Withholding on Non-Salary Payments under Nonresident Alien (NRA) header, Royalties Payments (Tax Withholding and Reporting).
- Invoice or other supporting documentation should be provided with the PIR.
- The PIR funding string should use Account Code 3860 (Royalties).

**Note:** If expedited payment processing is required contact your school’s Business Dean’s Office for Rush or Emergency Transaction processing. Advanced planning for the purchase of rights is strongly encouraged as the publishing process may require additional time to complete all protocols and may involve transactions with domestic or international third parties. The acquirer of rights is strongly encouraged to engage the grants administrator or, specific to 135 funded rights purchases, the VCRGE, to assist in streamlining the process for the acquirer.

It is important to note that all compliant use requirements of rights acquired using UW-Madison funds are UW-Madison obligations.

### Tax Reporting


UW-Madison follows all IRS regulations for tax reporting per IRS Form 1099-MISC and associated instructions at 1099-MISC Instructions.
Sales Tax Exemption From Other States

University of Wisconsin System Institutions have Sales and Use Tax Exemption for the States listed below. Each State has specific terms & conditions, including restrictions, and processes to receive tax exemptions. Not all exemptions apply to travel related expenses, so review the terms and instructions carefully. University travelers and those that arrange travel for others should obtain tax exemption when possible.

Select from the following list to review restrictions and exemption instructions:

- State of Colorado
- State of Florida
- State of Idaho
- State of Illinois
- State of Kansas
- State of Kentucky
- State of Maine
- State of Michigan
- State of Minnesota
- State of Mississippi
- State of Missouri
- State of New Mexico
- State of North Carolina
- State of North Dakota
- State of Ohio
- State of Rhode Island
- State of Tennessee
- State of Utah
- State of Vermont
- State of Virginia
- State of West Virginia

STATE: COLORADO

TAX RATE: STATE 3%; LOCAL 0.25-5.5%

EXEMPTION RESTRICTIONS AND FILING PROCEDURES:

Exemption allowed from sales tax on purchases of taxable goods and services when paid by University check or charge card.

For lodging and other travel services, travel arrangers must provide a copy of State of Colorado affidavit form and the University of Wisconsin Tax Exemption Certificate when making reservations. Travelers should provide the State of Colorado affidavit form and their UW issued, tax exemption wallet card.
1. At UW Madison sponsorships are processed using expense Account Code 3750 (Prizes & Awards) per Account Code description below:

**Account Code: 3750 Prizes and Awards-Cash to Individuals (Tax Reportable)**

- Payments to employees which are not service-related. All non-scholarship cash awards, cash prizes, and gift certificates to non-employees. For cash awards to UW System registered students, use account code 5711, program 9 because the Financial Aid Office needs to be aware of these payments. For scholarship awards to students registered at an academic institution outside the UW System, use account code 5710. For research support to students, fellows, scholars and trainees, use account code 5709. Any cash awards to employees for meritorious or distinguished service, exceptional performance, etc., must be paid through the payroll process. **Sponsorship of events is considered a sponsorship award which is tax reportable to the recipient and should be coded to account code 3750.**

2. Account Code 3750 (Prizes & Awards) is a tax reportable payment and must include a W-9. This payment will be reported on a 1099-MISC at the end of the calendar year. See full details on tax reportable transactions at Policy and Procedure: 601-Tax Compliance, Reporting, and Withholding on Non-Salary Payments under the header Federal and State Tax Reporting, 1099-MISC and 1042-S Tax Reportable Payments.

3. UW Madison processes sponsorships on a Direct Payment (DP); however, the funding source may not be General Purpose Revenue (GPR) funds and must adhere to UW System Administration Financial Administrative Policies and Procedures (F46) Prizes, Awards, and Gifts.


**Creation Date:** 02/03/2015  
**Update Date:** 02/03/2015
How to Process Support Payments

What type of Support Payment are you making?

Employment Support

Payroll Process (See Note 1)

Internship Support (UW and Non-UW Internships)

Must be Paid Through Payroll

- Internships are considered employment positions and therefore must be paid through the Payroll system.
- Payments made to interns whether in the form of cash (salary, hourly rate, etc.) or support (in lieu of cash), using university funds for off or on-campus internship positions must be payrolled.
- Support payments (housing, transportation, etc.) to interns are considered by the Internal Revenue Service (IRS) to be income payments in lieu of cash (salary, hourly rate, etc.). See UW Madison Unclassified Title Guideline [http://www.oer.wisc.edu/po/proc/use/factimes.htm] under the Intern (Non-Physician) header.
- Support payments to Interns should not be recorded under any 57xx account code because the 57xx account code series are scholarships/fellowships, including support, for students in their role as students not any employment position. For internships, like other Payroll positions, the support payment is support for what is considered by the IRS to be a paid employment position (internship) therefore it must be processed through Payroll as income to the intern.

Scholarship Support to UW Students related to their study or research (U.S. Residents)

Use Account Code 5709

Is the Student currently on Payroll?

- Yes
  Pay via Payment to Individual Report (PIR)
  Payroll Process (See Note 1)
- No
  Pay via Payment to Individual Report (PIR)

Scholarship Support to Non-UW Students related to their study or research (U.S. Residents)

Use Account Code 5710

Scholarship Support to UW Students related to their study or research (Nonresident Alien (NRA))

Use Account Code 5714

Notes

1. For processing employment support payments through Payroll process contact your Divisional Payroll Office.

2. For processing payments though a Payment to Individual Report (PIR) see Accounting Services Policy 101 (Payments to Individuals) at [http://www.bussci.wisc.edu/aces/policy/pir/pirpol.html](http://www.bussci.wisc.edu/aces/policy/pir/pirpol.html).
Information for Students and Parents of Students:

- Please refer to the UW Madison Bursar web page for information regarding tax policy, and other information that students and parents need to know. The Bursar’s Office coordinates all this data for UW Madison. Please visit the Bursar web page at http://www.bussvc.wisc.edu/bursar/tra97.html.
- If you are a student or parent of a student at a Non-UW-Madison campus please contact or view the web page for the Bursar’s Office at your campus for campus specific information.

Information for Campus Processing Personnel Only

- Please refer to the UW System Administration web page at http://www.uwsa.edu/fadmin/tax/1098T-ETaxReport.htm for information on how to gather, report, and submit tuition tax reporting (1098T) and student loan interest reporting (1098E) information to UW System Administration for reporting purposes.
Scholarship Payments to U. S. Residents

http://www.bussvc.wisc.edu/bursar/skolmenu.html

- This process can only be used for U.S. Persons (Citizens, Permanent Residents, Resident Aliens).
- Payments to Nonresident Aliens (NRA) cannot use this process but must be paid through Payroll because of the immigration documents and tax requirements for NRA's
- Each participating department will submit an Excel file with student, scholarship, and funding information. The ISIS Student Financial system will read the formatted file, verify the data, then post the data directly to each student's Tuition Account.

Supporting leading practices to reduce risk (some tag line from AS mission or other)
Scholarship Payments to U. S. Residents

http://www.bussvc.wisc.edu/bursar/skolmenu.html

- Scholarships posted to student accounts with active financial aid will not be refunded until the Financial Aid Office has a chance to review the student’s aid and repackage it per federal regulations.

- Any Tuition balance will be paid first before any refund is given to the student.

- After verification, students with credit balances will receive a refund check.

- Weekly, the ISIS Student Financial system generates a Journal file for the Shared Financial System (SFS) that contains student, funding and payment information. SFS validates the data and records it in its system. The detailed accounting information will be available in WISDM for Schools and Colleges to query.

Supporting leading practices to reduce risk (some tagline from AS mission or other)
Value Added Tax (VAT)

- **What is a Value Added Tax (VAT)?**
  - A value-added tax (VAT) or also General Sales tax (GST) is a form of consumption tax. From the perspective of the buyer, it is a tax on the purchase price. From that of the seller, it is a tax only on the value added to a product, material, or service, from an accounting point of view, by this stage of its manufacture or distribution. The manufacturer remits to the government the difference between these two amounts, and retains the rest for themselves to offset the taxes they had previously paid on the inputs.
  - The purpose of VAT is to generate tax revenues to the government similar to the corporate income tax or the personal income tax.
  - The value added to a product by or with a business is the sale price charged to its customer, minus the cost of materials and other taxable inputs. A VAT is like a sales tax in that ultimately only the end consumer is taxed. It differs from the sales tax in that, with the latter, the tax is collected and remitted to the government only once, at the point of purchase by the end consumer. With the VAT, collections, remittances to the government, and credits for taxes already paid occur each time a business in the supply chain purchases products.


- **Is the University of Wisconsin Subject to Value Added Tax (VAT)?**
  - Travelers are required to pay all VAT taxes as the UW is not exempt in other countries form VAT or other taxes.
  - The UW does not have an institutional Value Added Tax (VAT) number.
  - Travelers or departments should not be submitting individual claims to countries for VAT or other taxes on their own since the UW is not exempt in other countries.
  - The UW used to outsource the Value Added Tax (VAT) collection to a company that would come in and look at our VAT payments to try to recover whatever they could for the UW. This company was under contract to the UW to recover any VAT that our travelers pay. Due to the cost and low recovery rate because of all the country restrictions and limitations, this process was discontinued.
  - As an additional note, the Canadian Goods and Services Tax (GST) is a VAT and therefore the UW is required to pay all GST taxes.
The attached pages include the following:

1. IRS Approved Substitute W-9

   Provide this IRS Approved Substitute W-9 to any University of Wisconsin vendor upon request.

2. Wisconsin Sales and Use Tax Certificate of Exempt Status (CES)

   Provide this Wisconsin Sales and Use Tax Certificate of Exempt Status (CES) to any University of Wisconsin vendor upon request.

3. Wisconsin Department of Revenue From S-211 (Wisconsin Sales and Use Tax Exemption Certificate)

   The S-211 forms attached in this document can be signed by any current University of Wisconsin employee since it only provides general public information about the University of Wisconsin.
May 25, 2016

To Whom It May Concern:

In response to your recent inquiry, this letter is the Internal Revenue Service (IRS) approved SUBSTITUTE W-9 for the University of Wisconsin System. The University of Wisconsin System, a body corporate and an agency of the State of Wisconsin established under Chapter 36, Wisconsin Statutes, which has the State Treasurer as its treasurer, as an agency of the State of Wisconsin, is exempt from payment of:

1. Wisconsin sales or use tax on its purchases under s.77.54 (9a) (a), Wisconsin Statutes. Wisconsin Department of Revenue Tax Exempt ES 40706.

2. Personal property tax on property owned, including beneficial ownership under lease/purchase agreements, under s.70.11 (1), Wisconsin Statutes.

3. Federal tax imposed under Ch. 32, I.R.C. Registration No. 39-73-1021-K was issued to the State of Wisconsin by the Internal Revenue Service. This number is on file with the District Director, U.S. Treasury Department, Internal Revenue Service, Milwaukee, Wisconsin.

The Board of Regents of the University of Wisconsin System (and thus the UW-Madison) has never applied for or received 501(c)(3) status, so we do not possess an IRS determination letter. Our tax exemption derives from the constitutional doctrine of intergovernmental tax immunity, or section 115 of the IRC.

University of Wisconsin System ID Numbers
(ID Numbers below are registered under the name of “University of Wisconsin System”)

- University of Wisconsin System - Non Payroll EIN: 39-1805963
- University of Wisconsin System - Payroll EIN: 39-6006492
- University of Wisconsin System Wisconsin Seller’s Permit #: 456-1020421203-03

The University of Wisconsin System information and identification numbers referenced in the preceding sections of this letter (above) are valid for all UW Four Year Campuses and UW Colleges.

DUNS Numbers
Unlike the information and identification numbers referenced in the preceding part of this letter, a separate DUNS number is assigned to UW System and each UW campus/college/department that requires or requests it. All sub account numbers refer to the Parent account and state “Also Trades as University of Wisconsin System.” By using the Parent account number it reflects all the University of Wisconsin information in one account number. For DUNS numbers for other campuses/colleges/departments please contact the main accounting office for the appropriate campus/college/department.

The parent DUNS numbers for the University of Wisconsin System is 041188822.

The University of Wisconsin-Madison also has the DUNS number 626535538 under the legal name University of Wisconsin System doing business as (DBA) University of Wisconsin –Madison. The University of Wisconsin-Madison DUNS number 626535538 is registered in the System for Award Management (SAM) database (formerly known as U.S. Federal Central Contractor Registration (CCR))

If you have any further questions, please call me.

Sincerely,

Jose A. Carus, Jr.
WISCONSIN SALES AND USE TAX
CERTIFICATE OF EXEMPT STATUS (CES)
(Governmental, Religious, Charitable, Scientific or Educational Organization)

Sales to this organization or entity are exempt from Wisconsin sales and use tax under sec. 77.54(9a) and 77.55(1), Wis. Stats.

This certificate is valid unless cancelled by the Wisconsin Department of Revenue.

UNIVERSITY OF WISCONSIN SYSTEM
21 N PARK ST STE 6230
MADISON WI 53715-1218

CES NUMBER
040706

DATE ISSUED
10/9/2009

IMPORTANT:

Purchases made by your organization are taxable unless you furnish your supplier with the CES number shown above.
Sales by your organization may be subject to tax. If your organization makes taxable sales, it may be required to obtain a seller's permit and remit sales tax to the Department of Revenue.

Questions: Contact the Department of Revenue by telephone at (608) 266-2776, FAX (608) 267-1030, E-mail sales10@revenue.wi.gov, or at our Web site www.revenue.wi.gov
### WISCONSIN SALES AND USE TAX EXEMPTION CERTIFICATE

**Check One**
- [ ] Single Purchase
- [X] Continuous

**Purchaser's Business Name**
University of Wisconsin System

**Purchaser's Address**
21 North Park Street Suite 6101, Madison, WI 53715
The above address is not a billing/mailing address.

The above purchaser, whose signature appears on the reverse side of this form, claims exemption from Wisconsin state, county, baseball or football stadium, and premier resort sales or use tax on the purchase, lease, or rental of tangible personal property or taxable services, as indicated by the box(es) checked below.

I hereby certify that I am engaged in the business of selling, leasing, or renting: N/A

We are a State University exempt as an agency of the State of Wisconsin.

(Description of Property or Services Sold by Purchaser)

General description of property or services purchased (itemize property purchased if "single purchase"):

Only Box #4 in "Fed/Wisconsin Gov Units" section is marked in the rest of this form. If other boxes are marked this form is null and void.

**Seller's Name**

**Seller's Address**

### PROPOSED EXEMPT USE

- [ ] Resale (Enter purchaser's seller's permit or use tax certificate number)

#### Manufacturing
- [ ] Tangible personal property becoming an ingredient or component part, or which is consumed or destroyed or loses its identity, in the manufacture of tangible personal property destined for sale.
- [ ] Machines and specific processing equipment and repair parts or replacements thereof, exclusively and directly used by a manufacturer in manufacturing tangible personal property and safety attachments for those machines and equipment.
- [ ] The repair, service, alteration, fitting, cleaning, painting, coating, towing, installation, and maintenance of machines and specific processing equipment, that the above purchaser would be authorized to purchase without sales or use tax, at the time the service is performed thereon. Tools used to repair exempt machines are not exempt.
- [ ] Fuel and electricity consumed in manufacturing tangible personal property (effective January 1, 2006).
  - Percent of fuel exempt: %
  - Percent of electricity exempt: %
- [ ] Portion of the amount of fuel converted to steam for purposes of resale. (Percent of fuel exempt %)

#### Farming
(To qualify for this exemption, the purchaser must use item(s) exclusively and directly in the business of farming, including dairy farming, agriculture, horticulture, floriculture, or custom farming services.)

- [ ] Tractors (except lawn and garden tractors) and farm machines, including accessories, attachments, parts and repair service.
- [ ] Feed, seeds for planting, plants, fertilizer, soil conditioners, sprays, pesticides, and fungicides.
- [ ] Baling twine and baling wire.
- [ ] Breeding and other livestock, poultry, and farm work stock.
- [ ] Containers for fruits, vegetables, grain, hay, and silage (including containers used to transfer merchandise to customers), and plastic bags, sleeves, and sheeting used to store or cover hay and silage.
- [ ] Animal waste containers or component parts thereof (may only mark certificate as “Single Purchase”).
- [ ] Animal bedding, medicine for farm livestock, and milk house supplies.
- [ ] All-terrain vehicles (ATV) used exclusively in farming.

*This Form May Be Reproduced*

Wisconsin Department of Revenue
Federal and Wisconsin Governmental Units

☐ The United States and its unincorporated agencies and instrumentalities and any incorporated agency or instrumentality of the United States wholly owned by the United States or by a corporation wholly owned by the United States.

☐ State of Wisconsin or any agency thereof; Local Exposition District, Professional Baseball Park District, or Professional Football Stadium District.

☐ Wisconsin county, city, village, or town, including public inland lake protection and rehabilitation district, municipal public housing authorities, uptown business improvement districts, local cultural arts district, and Fox River Navigational System Authority.

☒ Wisconsin public schools, school districts, universities, and technical college districts.

☐ County-city hospitals or UW Hospitals and Clinics Authority.

☐ Sewerage commission, metropolitan sewerage district, or a joint local water authority.

Other

☐ Containers and other packaging, packing, and shipping materials, used to transfer merchandise to customers of the purchaser.

☐ Trailers and accessories, attachments, parts, supplies, materials, and service for motor trucks, tractors, and trailers which are used exclusively in common or contract carriage under LC or IC No. ____________________.

☐ Items or services purchased directly by and used by religious, charitable, educational, scientific, or other organizations holding a Wisconsin Certificate of Exempt Status. CES No. ____________________

☐ Tangible personal property to be resold by ________________ on my behalf where __________________ is registered to collect and remit sales tax to the Department of Revenue on such sales.

☐ Tangible personal property or services purchased by a Native American with enrollment # ________________ who is enrolled with and resides on the Reservation, where buyer will take possession of such property or services.

☐ Tangible personal property becoming a component of an industrial or municipal waste treatment facility, including replacement parts, chemicals, and supplies used or consumed in operating the facility.

☐ Portion of the amount of electricity or natural gas used or consumed in an industrial waste treatment facility. (Percent of electricity or natural gas exempt ____________%)

☐ Electricity, natural gas, fuel oil, propane, coal, steam and wood used for fuel for residential or farm use.

<table>
<thead>
<tr>
<th>% of Electricity Exempt</th>
<th>% of Natural Gas Exempt</th>
<th>% of Fuel Exempt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential ............</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>Farm ....................</td>
<td>%</td>
<td></td>
</tr>
</tbody>
</table>

Address Delivered: ____________________________

☐ Percent of printed advertising material solely for out-of-state use. ____________ %

☐ Other purchases exempted by law. (State items and exemption). ____________________________

I hereby certify that if the item(s) being purchased are not used in an exempt manner, I will remit use tax on the purchase price at the time of first taxable use. I understand that failure to remit the use tax may result in a future liability that may include tax, interest, and penalty.

Authorized Signature _________________________

Title ____________________________

Date ____________________________
December 29, 2009

To: UW-Madison Divisional Business Representatives

From: Jose A. Carus, Jr.
Tax Compliance Manager

Subject: Implementation of W-9 Compliance

Implementation of the W-9 reporting process

1. The UW needs to have a signed legal document on file to support and document the tax information when we make a tax reportable payment. The required document is the IRS W-9 form. The W-9 captures all the required tax information for tax reporting. This includes (1) name, (2) business name, (3) type of entity, (3) exempt status, (4) address, (5) taxpayer identification number, and (6) signature. The W-9 can be found at the IRS web page at (http://www.irs.gov/pub/irs-pdf/fw9.pdf?portlet=3).

2. Effective January 1, 2010 the UW will be requiring that a completed and signed form W-9 (or W-8BEN for NonResident Aliens http://www.irs.gov/pub/irs-pdf/fw8ben.pdf) be attached to all tax reportable payments requested on Payment to Individual Reports (PIR) and Direct Payments (DP), but not for payments made through PO’s and ASSO. For PO’s and ASSO, Business Services’ Purchasing and Accounting Departments will be working together on obtaining appropriate W-9 information as part of the contracting processes. Tax reportable payment account codes are posted on the Accounting Services web page at (http://www.bussvc.wisc.edu/acc/tax/1099tax.pdf).

3. Business Services is working on establishing a designated field in WISDM where you will be able to see if we have a completed and signed form W-9 (or W-8BEN) on file. Thus once a W-9 is obtained for a vendor by any department on campus, other departments will not have to obtain new W-9 (or W-8BEN). Until this field is functional and available for campus use please obtain a W-9 and attach it to all tax reportable payments requests as outlined in bullet #2 above.

4. Important Note: You do not need to obtain a new W-9 for each payment request. Once you obtain a completed and signed W-9 please keep a copy at the department level so that you can attach a copy to future payment requests.

Current Inefficiencies relating to 1099-MISC reporting

1. Inaccurate Required Tax Information

Currently, we obtain tax information by asking the recipient and manually putting this information on the payment request form (PIR, etc.). This procedure has caused many problems such as (1) the recipient unintentionally or intentionally providing the wrong or incorrect taxpayer identification number or registered name to the department, or (2) the department recording the information incorrectly on the payment forms (PIR, etc.).

Our current procedure is inefficient and does not provide accurate supporting documentation to provide accurate tax reporting information to the IRS, DOR, or other agencies in the event of an audit.

2. IRS Vendor Mismatch

When the UW submits the UW System’s 1099-Misc tax information to the IRS, the IRS sends back a list of vendors where the combination of our vendor name and taxpayer identification numbers (TIN) does not match up with the IRS’s records. UW System (UWSA) gets about 250-300 of these mismatches each year and they must send out requests for W-9s for each of these vendors.

3. Classification of Entities being paid

Tax reportable payments performed by an Individual, Sole Proprietorship, Partnership, or Limited Liability Company (LLC) must be reported on a 1099-MISC while payments to corporations are not reportable. When classifying vendors under our current process, we
cannot identify the classification of the payee which leads to misreporting. For example, if the entity is a corporation, but the UW can’t document their status, then we must report this income in error.

4. Possible Future Non-Compliance with Wisconsin Department of Administration (DOA)
   Requirements for Entities being paid

Currently DOA requires all payments and transactions to have a completed and signed W-9 before a payment can be entered into their system for payment. In anticipation of this becoming a DOA mandate, we need to implement this process now.
From: Carus, Jose  
Sent: Monday, August 09, 2010 1:16 PM  
To: finn-list@lists.wisc.edu, ‘fbr-list@lists.wisc.edu’  
Subject: Implementation of W-9 Compliance (WISDM Vendor Search with W-9 Field Indicator)

August 9, 2010

To: Divisional Business Representatives (DBR) and Financial Manager Meeting Representatives (FMM)

From: Jose A. Carus, Jr.  
Tax Compliance Manager

Subject: Implementation of W-9 Compliance (WISDM Vendor Search with W-9 Field Indicator)

As promised when we implemented W-9 Compliance efforts effective January 1, 2010 (see Implementation of W-9 (W-8BEN for Non-Resident Aliens) Compliance letter at the Tax Information web page), Business Services has been working on establishing a designated field in WISDM where you will be able to see if Business Services has a completed and signed form W-9 (or W-8BEN for Nonresident Aliens) on file.

As of Monday (August 9, 2010) Business Services has incorporated the W-9 indicator field in the WISDM Vendor Search. Please refer to How to use vendor search in WISDM for SFS AP transactions.

When processing tax reportable payment requests on Payment to Individual Reports (PIR) and Direct Payments (DP) please check the WISDM Vendor Search to determine if a W-9 is on file at Business Services. If a W-9 is on file you will not need to include a W-9 with your payment requests. If a W-9 is not on file you will need to include a W-9 with your payment requests.

For tax reportable transactions if a W-9 is not on file per the WISDM Vendor Search, and you do not include the W-9 with your payment requests, Business Services will put your payment request on Hold and inform you that you need to get a W-9 before the payment is released for processing.

Please forward this message to individuals in your division who submit payment requests.

At this time I am also sending this e-mail to the Accounting Services Web Master for posting on our Tax Information web page at

Thanks,

Jose  
Tax Compliance Manager

---

Jose A. Carus, Jr.  
Tax Compliance Manager  
Accounting Services  
Division of Business Services  
21 N Park St, Suite 6234  
Madison, WI 53715  
Phone: (608) 262-0582  
Fax: (608) 262-5060  
E-Mail: jcarus@bussvc.wisc.edu
How To Use Vendor Search in WISDM for SFS AP Transactions

1. On the WISDM Main Menu, click "Vendor" under AP/PO Searches.

2. For search criteria, enter the Vendor Number (Vndr ID), vendor's name or short vendor name, then click "Submit." Here we used "Smith,ke" and "starts with."
Tips for searching by vendor name:

For Individuals and Employees:

- Switch the dropdown to “starts with”
- Format: LAST,<no space>FIRST MI
- For good results, you should enter the last name plus a few letters of the first name. Middle initials are not entered if they are not available.

For companies and organizations:

- Switch the dropdown to “contains”
- Enter in one or two of the key words of the company name

**NOTE:** You can also use the % character as a wildcard to stand for multiple characters, which can be helpful when searching for companies.

3. After clicking "Submit" you will see a selection of vendors that meet your criteria for that search.

**Note:** If the W-9 information has been entered in SFS, you will see a "Y" identifier in the WISDM vendor search with the effective date that the W-9 information was entered into the SFS Vendor File. If the indicator and effective date are blank, it means that the W-9 has not been entered into SFS.
4. If a vendor number is found for your payee, you may provide the vendor number on the PIR or Direct Payment Form instead of the U.S. Taxpayer Identification Number (SSN, EIN, ITIN) by typing the number in the provided vendor number box.

If no vendor number is found, you must continue to provide the U.S. Taxpayer Identification Number (SSN, EIN, ITIN) until a vendor number is created for your payee. This requires a completed and signed W-9 (W-8BEN for Nonresident Aliens) for tax reportable transactions. Tax reportable payment account codes are posted on the AccountingServices web page at http://www.bussvc.wisc.edu/acct/tax/1099tax.pdf. For non-tax reportable transactions you may provide the U.S. Taxpayer Identification Number (SSN, EIN, ITIN) or only the last four digits of the U.S. Taxpayer Identification Number (SSN, EIN, ITIN).
From: Carus, Jose
Sent: Thursday, August 26, 2010 8:25 AM
To: 'fmm-list@lists.wisc.edu'; 'dbr-list@lists.wisc.edu'
Subject: Implementation of W-9 Compliance (Expiration of Forms W-9 and W-8BEN)

August 26, 2010

To: Divisional Business Representatives
    Financial Management Meeting Representatives
From: Jose A. Carus, Jr.
    Tax Compliance Manager
Subject: Implementation of W-9 Compliance (Expiration of Forms W-9 and W-8BEN)

After sending out our initial letters regarding W-9 (W-8BEN for Nonresident Aliens) compliance we have had questions on how long these forms are valid and when or if we need to get new ones in the future. Per the IRS instructions for the W-9 and W-8BEN forms we have determined the following:

- W-9 forms will remain valid unless a change in circumstances makes any information on the form incorrect. For example a change in name or a change in type of entity. Please note that a change in address does not require a new W-9.
- W-8BEN forms (for Nonresident Aliens) will remain valid only for the calendar year in which they are signed. Therefore if a payment request is submitted in 2010 with a W-8BEN signed in 2009 this would not be accepted and a new W-8BEN would need to be obtained.

For forms that are not valid based on the criteria in the above bullets, Business Services will put your payment request on Hold and inform you that you need to get a valid W-9 (or W-8BEN for Nonresident Aliens) before the payment is released for processing.

Thank you.

Jose
Wisconsin Entertainer Tax

Wisconsin law (Section 71.80(15), Wis. Stats.) and Wisconsin Act 349 requires nonresident entertainers to file a surety bond or cash deposit with the Wisconsin Department of Revenue (WI DOR) at least seven days prior to a performance in Wisconsin if the Total Contract Price for the performance exceeds $7,000. For purposes of this law, each University of Wisconsin campus is considered an employer. If a surety bond or cash deposit is not filed, the university is required to withhold 6% of the Total Contract Price and submit it to the Wisconsin Department of Revenue using a form WT-11.
All income received by taxpayers is subject to IRS tax reporting requirements.

To comply with IRS tax reporting requirements the UW gathers the taxpayer’s name, home mailing address, and taxpayer identification numbers for all taxable payments made. At the end of each calendar year the UW sends an IRS form 1099-MISC to U.S. Residents or a form 1042-S form to nonresident aliens (NRA) as specified by IRS tax reporting requirements/regulations.

**Income on the 1099-MISC forms (U.S. Residents) includes:**

- Compensation for Independent Personal Services (Nonemployee Compensation). Only Nonemployee compensation payments totaling $600 or more are reported on the 1099-MISC forms. This $600 limit is determined at the end of each calendar year by consolidating all payments made by all UW institutions.

- All Rents, Royalties, Other Income.

**Note:** 1099-MISC forms must be provided to the payment recipient on or before February 1st of each year for the income received in the preceding calendar year.

**Income on the 1042-S forms (Nonresident Aliens) includes:**

- All Compensation for Independent Personal Services, Scholarships/Fellowships, Royalties, Other Income.

**Note:** 1042-S forms must be provided to the payment recipient on or before March 15th of each year for the income received in the preceding calendar year.

Payment recipients should refer to the instructions on the IRS tax forms that they are required to complete (1040, 1040EZ, 1040-NR for the non-resident aliens, etc.) and other associated IRS forms/publications that meet the individual’s filing situation. IRS forms, instructions, and publications can be obtained at the IRS web page (IRS.GOV).

Questions regarding tax filing and completion of year end tax forms should be addressed through the IRS or through the individual’s tax preparation professional. Questions regarding tax filing and tax form completion should not be addressed to the University of Wisconsin because legal liability prohibits U.W. employees from giving such advice.
Appendix 2 - Important Tax Information

For persons who receive payments from the University of Wisconsin for Services, Rents, Royalties, Prizes or Awards, Scholarships and Fellowships.

Federal and State laws require the University of Wisconsin System to report many taxable payments to the IRS, Wisconsin Department of Revenue, and the individual receiving the payment. In some cases, the University is also required to withhold federal or state income taxes from payments. Please read the following carefully, and be sure to provide complete and accurate information to the department authorizing your payment. This will help to ensure your payment receives the correct tax treatment.

Travel Expenses

If you provide a service to the University and the department agrees to reimburse you for travel expenses, there are two ways this can be handled. If you do not provide a complete accounting of expenses to the department (including original receipts), your reimbursement will be considered as part of the compensation for the service. The reimbursement could be reportable to tax authorities and subject to withholding. You may be able to deduct the expenses on your annual tax return. If, however, you provide a complete accounting to the department, the reimbursement will not be reported to tax authorities and will not be subject to withholding.

W-9 (Request for Taxpayer Identification Number) Requirement for all Tax Reportable Payments.

If you are receiving a payment for Services, Rents, Royalties, Prizes or Awards, or any other tax reportable payment then you must provide the paying department a completed and signed W-9 form prior to the payment being made. If you do not provide the completed and signed W-9 then the UW is required by IRS regulations to withhold 28% Backup Withholding on your payment(s). If you submit a W-9 but do not provide the required information the UW will withhold the 28% Backup Withholding as required by the IRS. The UW-Madison also requires the W-9 to be signed. If the W-9 is not signed the UW will also withhold 28% Backup Withholding per IRS regulations.

Payments to Your Company

If you are performing services as a representative of a company rather than as an individual, the check must be made payable to the company, unless you are a sole proprietor, in which case the check must be made payable to you and you must provide your social security number. If the company is a partnership, you must provide the company name and Federal Employer Identification Number (FEIN). If the company is a U.S. corporation, it is not necessary to provide the company's FEIN, but make sure the department is aware of the company's corporate status. Do not provide Canadian Social Insurance Numbers.

State Tax Withholding

The State of Wisconsin requires 6% tax withholding on payments to entertainers and public speakers who are not Wisconsin residents and who earn $7,000 or more in entertainment or public speaking income from a UW campus during a calendar year. Withholding is not required if you file a surety bond or a deposit with the Wisconsin Department of Revenue for at least 6% of the contract price, using Form WT-11. The Wisconsin Department of Revenue will review the application and, if it has been properly submitted, issue you two copies of the receipt signed by a Department representative. The white copy of the receipt should be given to the employer as proof that you have filed a surety bond or cash deposit. The pink copy of the receipt should be retained by the nonresident entertainer to be attached to the Wisconsin tax return.

The UW is not required to withhold federal or state tax on 1099-MISC reportable payments as the IRS considers these payments to be made to Independent Contractors thus the recipients are responsible for submitting and report tax on these payments.
Federal Tax Withholding

The UW is not required to withhold federal or state tax on 1099-MISC (U.S. Residents) reportable payments as the IRS considers these payments to be made to Independent Contractors thus the recipients are responsible for submitting and report tax on these payments.

The UW is required to withhold federal tax on 1042-S (Nonresident Alien) reportable payments as the IRS considers these payments to be made to Independent Contractors thus the recipients are responsible for submitting and report tax on these payments.

Payments to Nonresident Aliens (NRA) rules regarding federal tax withholding on payments to individuals are varied and complex. Unless a tax treaty applies between the U.S. and the recipient’s country for tax purposes, the UW is required to withhold 14% federal tax on all scholarships/fellowship paid to an NRA and 30% for all other non-scholarship/fellowship payments made to an NRA. Current applicable tax treaties can be found at IRS web page at [www.irs.gov](http://www.irs.gov) under Publication 515. In referencing Publication 515 tax treaties only income code for (1) Scholarship and Fellowship Grants, (2) Independent Personal Services, and (3) Public Entertainment are paid through Accounting Services via check. All other income codes are Payroll related and apply only to employees on Payroll which means the payment is not made via check but is made via the UW Human Resources System (HRS). If you received a payment through Payroll please contact your paying department payroll area for information on these payments. Payroll payments are reported through a W-2 and or a 1042-S issued by Payroll and they are posted on the employee’s MY UW Portal web page.

If a tax treaty is applicable to your particular payment a form W-8BEN needs to be completed and signed prior to the payment being made, or a form 8233 needs to be completed and signed prior to the payment being made for all non-scholarship/fellowship payments. Please contact your paying department if you think you are eligible for a tax treaty as they are responsible for obtaining the required forms and assisting you with these forms.

Many treaties provide partial exemption for performing artists, athletes, or for persons in the U.S. to teach or perform research. **It is your responsibility to determine your own personal tax situation and file whichever forms are necessary for you to receive an exemption from withholding.** For help in making this determination, contact the IRS at 1-800-TAX-1040 or consult your tax adviser. **Due to legal implications, the U.W. does not provide individual tax advice.**

**FEDERAL AND STATE WITHHOLDING ON PAYMENTS TO INDIVIDUALS**

This is a summary and not full documentation of the applicable tax laws. It is the recipient’s responsibility to determine his/her own tax situation.

<table>
<thead>
<tr>
<th>WISCONSIN RESIDENT</th>
<th>U.S. RESIDENT—NOT WISCONSIN</th>
<th>NONRESIDENT ALIEN (NRA): LEGAL RESIDENT OF TREATY COUNTRY</th>
<th>NONRESIDENT ALIEN (NRA): LEGAL RESIDENT OF NON-TREATY COUNTRY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services including Public Entertainment and Research Subject Payments</td>
<td>Will withhold federal taxes unless a completed and signed W-9 is provided prior to payment. For public speaking or entertainment, will withhold state taxes unless WT-11 or waiver provided OR payments are Total Contract Price is less than $7,000 in a calendar year, including travel expense reimbursements.</td>
<td>Will withhold federal taxes unless a completed and signed W-9 is provided prior to payment. For public speaking or entertainment, will withhold state taxes unless WT-11 or waiver provided OR payments are Total Contract Price is less than $7,000 in a calendar year, including travel expense reimbursements.</td>
<td>If services performed in U.S., will withhold federal taxes of 14% on Scholarships and Fellowships and 30% on non-scholarship and fellowship payment unless a current W-8BEN is on file for Scholarships and Fellowships and a current 8233 form is on file for non-scholarships and fellowships and exemptions meet the terms of the treaty. For Public Entertainment, will withhold state taxes unless Form WT-11 or waiver provided OR payments are Total Contract Price is less than $7,000 in a calendar year, including travel reimbursements.</td>
</tr>
<tr>
<td><strong>Policy and Procedure: 601-Tax Compliance, Reporting and Withholding on Non-Salary Payments</strong></td>
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</tbody>
</table>

### TRAVEL EXPENSE REIMBURSEMENTS
- Department’s choice. May be (1) included in services payment or (2) may gather receipts and pay as business expenses. Tax reportable only under option 1 above.
- Department’s choice. May be (1) included in services payment or (2) may gather receipts and pay as business expenses. Tax reportable only under option 1 above.
- Department’s choice. May be (1) included in services payment or (2) may gather receipts and pay as business expenses. Tax reportable only under option 1 above.
- Department’s choice. May be (1) included in services payment or (2) may gather receipts and pay as business expenses. Tax reportable only under option 1 above.

### PRIZES OR AWARDS
- Will withhold federal taxes unless a completed and signed W-9 is provided prior to payment.
- Will withhold federal taxes unless a completed and signed W-9 is provided prior to payment.
- Will withhold 30% federal tax. No exemptions; DO NOT USE Form 8233. No treaties exist for Prizes and Awards.
- Will withhold 30% federal tax. No exemptions; DO NOT USE Form 8233. No treaties exist for Prizes and Awards.

### RENT OR ROYALTIES
- Will withhold federal taxes unless a completed and signed W-9 is provided prior to payment.
- Will withhold federal taxes unless a completed and signed W-9 is provided prior to payment.
- If property is in U.S., or royalties from U.S. sales, will withhold unless Form W-8BEN is completed, signed, and provided.
- If property is in U.S., or royalties from U.S. sales, will withhold.

### SCHOLARSHIPS AND FELLOWSHIPS
- No withholding; no reporting to individual by UW.
- No withholding; no reporting to individual by UW.
- If source of funds is in U.S., will withhold federal taxes unless Form W-8BEN is filed and exemptions meet terms of the tax treaty between the U.S. and the recipient’s country for tax purposes.
- If source of funds is in U.S., will withhold federal taxes are withheld.

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Form WT-11 is only required to prevent state tax withholding if accumulated income from the campus for entertainment or public speaking services exceeds $7,000 in the calendar year. Form WT-11 is a State of Wisconsin form which states that a surety bond has been filed with the Wisconsin Department of Revenue for any state taxes which may be due and also used to remit the 6% withholding to the Wisconsin Department of Revenue.

Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding) is a federal form which is a certification that income is exempt or entitled to a reduced withholding rate due to the existence of a tax treaty. Applies only to rents, royalties, scholarships, and fellowships. U.S. Taxpayer Identification Number is required. Form W-8BEN must be completed by all non-resident aliens receiving payments for services.

Form 8233 (Exemption From Withholding on Compensation for Independent (and Certain Dependent) Personal Services of a Nonresident Alien Individual) is a federal form which is a certification that income is exempt or entitled to a reduced withholding rate due to the existence of a tax treaty. Applies to services.

Form W-7 (Application for IRS Individual Taxpayer Identification Number) is a federal form which is used to apply for an IRS Individual Tax Identification Number (ITIN). An ITIN is a substitute for a Social Security Number (SSN) for certain nonresident aliens who are not eligible to receive an SSN because they do not have an employment situation in the U.S. An SSN or ITIN is required for everyone receiving payment or filing a US tax return beginning 1/1/97. **Procedure:** 601-Tax Compliance, Reporting and Withholding on Non-Salary Payments