

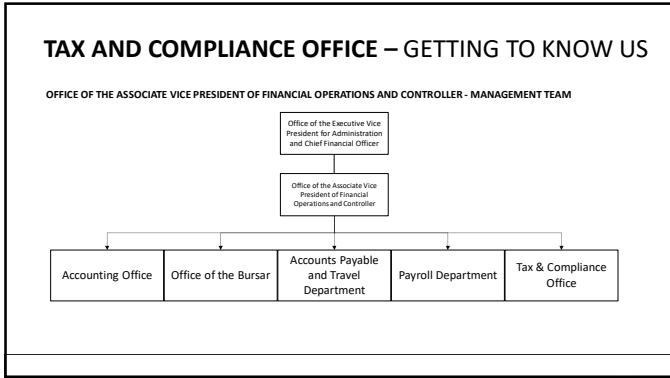
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TAX AND COMPLIANCE OFFICE – GETTING TO KNOW US

Mission:
“The mission of the University Tax & Compliance Office is to implement compliance with federal, state and local tax laws across all aspects of University operation.”

Responsible Programs:

- Storrs and Regional Campuses: Direct responsibility
- UConn Health: Tax Oversight

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TOPICS

01 Taxes at UConn	02 Unrelated Business Income Tax	03 Sales & Use Tax	04 Employment Tax
05 Payments to Students and University Fellows	06 Student Travel – Concur Business Expense Certification	07 Nonresident Alien Tax	08 Charitable Contributions

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TAXES AT UCONN	
<p>UConn, as a government entity, is exempt from federal income tax. However, we must pay or collect tax on certain aspects of our operations. Examples include:</p>	
<input type="checkbox"/>	Unrelated Business Income Tax – Certain University activities that are unrelated to our educational and research-based mission
<input type="checkbox"/>	Sales & Use Tax – Exempt from paying sales tax on most purchases, but we may be required to collect sales tax on certain sales
<input checked="" type="checkbox"/>	Employment Tax – Withhold federal and state taxes from wages paid to employees
<input type="checkbox"/>	Nonresident Alien Tax – Withhold federal taxes from payments to foreign students or vendors
<input type="checkbox"/>	Athletes or Entertainers Tax – Withhold Connecticut taxes from payments to CT nonresident performers, including athletes

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TAXES AT UCONN	
<p>Further, we may be required to report certain transactions to the IRS, even if no tax payment is required. Examples include:</p>	
Form 1098-T	Reports to IRS transactions with students to enable students to calculate educational-related tax credits
Form 1099	Reports to IRS payments we make to suppliers to allow tax reporting by suppliers

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UNRELATED BUSINESS INCOME TAX	
<p>FEDERAL TAX STATUS OF UCONN</p>	
<ul style="list-style-type: none"> UConn, as an agency of the State of Connecticut, is exempt from federal income tax on profit we derive from our educational and research activities We may be subject to federal income tax on activities unrelated to our educational and research activities. Example: <ul style="list-style-type: none"> Rental income from Cell Towers 	<ul style="list-style-type: none"> IRS calls this "Unrelated Business Income Tax" <ul style="list-style-type: none"> UConn files annual federal income tax return (Form 990-T) UConn remits estimated federal income tax payments 4x/year
<p><small>Tax and Compliance Contact: Liz Solecki (elizabeth.solecki@uconn.edu)</small></p>	

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UNRELATED BUSINESS INCOME TAX





- The good news: *No ongoing department action is required*
- Tax and Compliance tracks activities subject to this tax and reporting any tax liability to the IRS.
- Tax and Compliance allocates any tax expense to applicable departments
- What Departments should look out for:
 - *External revenue is a potential driver of Unrelated Business Income Tax*
 - *When considering a new source of external revenue, contact Tax and Compliance*

Tax and Compliance Contact: Liz Solecki (elizabeth.solecki@uconn.edu)

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SALES & USE TAX


UConn, as an agency of the State of Connecticut, is generally exempt from paying sales tax on purchases

			
UConn is not exempt from collecting sales tax on external sales	Not all external sales are subject to sales tax. Per Connecticut's sales tax laws, only certain goods and services are subject sales tax.	UConn collects sales tax from customers and remits the collected tax to the State of Connecticut on a regular basis (monthly or quarterly)	KFS Object Codes 2305/2306: UConn Tax and Compliance remits sales tax recorded to these object codes

Tax and Compliance Contact: Laura House (laura.house@uconn.edu)

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SALES & USE TAX

<p>Sale of Goods *</p> <p>Taxable, unless exempt. Taxable goods include:</p> <p>Most clothing and footwear</p> <p>Meals sold by an eating establishment or caterer (unless sold at a college to students or staff)</p> <p>Textbooks (unless sold to a college student)</p> <p>Tax rate: 6.35 – 7.35%**</p>	<p>Sale of Services *</p> <p>Exempt, unless taxable. Taxable services include:</p> <p>Advertising and public relations</p> <p>Gym Memberships</p> <p>Business analysis, management consulting</p> <p>Tax rate: 6.35%**</p>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">  <p>What to look out for:</p> <ul style="list-style-type: none"> • <i>Sales of goods or services to the general public may be subject to sales tax collection</i> • <i>Contact Tax and Compliance Department</i> </div>
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* List is not comprehensive, list is prepared for demonstrative purposes only. A lengthier list is located at: [Sales and Use Tax Matrix](#)

** Tax rates primarily applicable to sales made by UConn; other rates may apply

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EMPLOYMENT TAX

UConn must withhold federal and state income taxes and federal FICA taxes from wages paid to employees

“Wages” includes:

- Cash compensation (your paycheck)
- Certain Non-Cash compensation (“fringe benefits”)

<p>Fringe Benefits - potentially taxable *</p> <ul style="list-style-type: none"> Moving expense payments or reimbursements Housing, free or reduced Cell phone stipends Season tickets to athletic events Graduate tuition waivers over \$5,250 Gift cards 	<p>Fringe Benefits - generally not taxable *</p> <ul style="list-style-type: none"> Employer-provided Health Insurance University business travel Personal use of photocopiers Tickets to a single athletic event that is not sold out Undergraduate tuition waivers Formal Employee Achievement Awards (5, 10 year)
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* List is not comprehensive, list is prepared for demonstrative purposes only. For more information see IRS Publication 15-B ([IRS Publication 15-B](#))

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EMPLOYMENT TAX

- UConn must withhold federal and state income taxes and federal FICA taxes from wages paid to employees
- “Employees” for purposes of employment tax withholding, do not include:
 - University Fellows
 - Independent Contractors

A University Fellow is an individual, generally a Graduate or PhD student, who conducts studies or research for the individual’s own benefit, and not for UConn’s benefit.

Employee
vs.
Fellow

Fellowship Payments Workflow (<https://financialaid.uconn.edu/fellowships/>) screens for Employee vs. Fellow relationship by applying the “Bingler Test”

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EMPLOYMENT TAX

Bingler Test Factor	Fellowship	Wages
Will the participant have the freedom to choose the subject and methodology of the research?	YES	NO
Will the participant be free from any teaching or other responsibilities?	YES	NO
Will the University have a legal right to, or interest in, the results of the research?	NO	YES
Will the participant be free from the need to observe office hours or report to a supervisor?	YES	NO

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EMPLOYMENT TAX

Employee vs. Independent Contractor	<i>"An individual is an independent contractor if the payer has the right to control or direct only the result of the work, not what will be done and how it will be done."</i>
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University Business Services reviews personal services agreements to screen for Employee vs. Independent Contractor relationship

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EMPLOYMENT TAX

Employee vs. Independent Contractor determination is fact-sensitive. IRS factors include:

Behavioral Control
Does the University have a right to direct and control what work is accomplished and how the work is done, through instructions, training, or other means?
Financial Control
Relationship of the Parties

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EMPLOYMENT TAX

Employee vs. Independent Contractor determination is fact-sensitive. IRS factors include:

Behavioral Control
Financial Control
<ul style="list-style-type: none"> • The extent to which the worker has unreimbursed business expenses • The extent of the worker's investment in the facilities or tools used in performing services • The extent to which the worker makes his or her services available to the relevant market • How the business pays the worker, and • The extent to which the worker can realize a profit or incur a loss
Relationship of the Parties

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EMPLOYMENT TAX

Employee vs. Independent Contractor determination is fact-sensitive. IRS factors include:

Behavioral Control
Financial Control
Relationship of the Parties
<ul style="list-style-type: none"> Written contracts describing the relationship the parties intended to create Whether the business provides the worker with employee-type benefits, such as insurance, a pension plan, vacation pay, or sick pay The permanency of the relationship, and The extent to which services performed by the worker are a key aspect of the regular business of the company

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EMPLOYMENT TAX

UConn agrees to pay \$55,000 bi-weekly for a musician to perform at UConn public and internal events. UConn decides which events the musician will perform at. The musician uses UConn guitars, microphones, lighting, and sound equipment at events. The musician formally reports to a supervisor at UConn and is required to attend departmental meetings and trainings.

Employee or Independent Contractor?

Employee vs. Independent Contractor Examples

UConn agrees to pay a Storrs-based DJ to perform at 3 University events, at a price of \$1,000 per event. The DJ supplies her own musical and sound equipment. The DJ can agree, for additional pay, to play at future events, or decline to do so.

Employee or Independent Contractor?

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PAYMENTS TO STUDENTS AND UNIVERSITY FELLOWS

We may call a payment to a student or university fellow many things: a grant, a stipend, a scholarship, a fellowship, etc.

<p>The IRS maintains precise rules on the tax treatment of payments to these individuals. Payments made by UConn generally fit into one of five types:</p> <ul style="list-style-type: none"> 01 Scholarship 02 Fellowship 03 Prize or Award 04 Business Expense Reimbursement 05 Wages 	<p>Appropriate classification of payments for tax purposes is vital to determine the following:</p> <ul style="list-style-type: none"> ? Is the payment taxable to the recipient? ? Is UConn required to report the payment to the IRS? ? Is UConn required to withhold taxes from the payment? ? How should the payment be initiated through UConn systems?
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STUDENT TRAVEL – CONCUR BUSINESS EXPENSE CERTIFICATION (“BEC”)

Overview of each payment category:

- **Scholarship:** Amount provided to a student to aid in his/her academic studies. A scholarship is taxable to the recipient unless the recipient used it to pay for QTRs.
- **Fellowship:** Amount provided to a recipient in the pursuit of the individual's own study or research that is not for UConn's benefit. A fellowship is taxable to the recipient unless the recipient used it to pay for QTRs (same standard as for scholarships).
- **Prize or Award:** Amount paid to a recipient as part of a contest, competition, or giveaway.
- **University Business Expense:** A reimbursement for an expense incurred while conducting University business. A University Business Expense is not taxable to the recipient.
- **Wages:** Amount provided to an employee by an employer in return for past, present, or future services for the conduct of University business.

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STUDENT TRAVEL – CONCUR BUSINESS EXPENSE CERTIFICATION (“BEC”)

Travel Expense Category	Is payment of the expense taxable to the student?	Is UConn required to report the payment to the IRS?		Is tax withholding required?	
		US Citizen / Equivalent	Nonresident Alien	US Citizen / Equivalent	Nonresident Alien
Fellowship	Yes	No	Yes	No	Maybe *
University Business Expense	No	No	No	No	No

- Travel expenses that are classified as a Fellowship to a Nonresident Alien student are reportable to the IRS on Form 1042-S and may be subject to 14% income tax withholding.
- * The Tax & Compliance Office maintains student records and makes the determination as to whether tax withholding is required.

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STUDENT TRAVEL – CONCUR BUSINESS EXPENSE CERTIFICATION (“BEC”)

Travel expense incurred by the University on behalf of a student is generally considered a **Fellowship** but may be considered a **University Business Expense** under certain circumstances.

- The Business Expense Certification (“BEC”) field will be used to support whether the travel expense is a Fellowship or a University Business Expense
- The Approver will be required to complete the BEC field for certain Travel Requests from students who are not US citizens
- A red warning will display in the Approver's view when the BEC is required:

Approved | In Progress | Expense Summary | Approval Flow | Audit Trail

As the Approver of this request, you must complete the "Business Expense Certification" field with respect to the reason for the travel. Guidance on these field options can be found at www.tax.uconn.edu/concur. You may also contact Tax & Compliance at taxcompliance@uconn.edu. The value of this travel, whether paid directly by the University or reimbursed to the student, may represent taxable income to the student as a Fellowship.

*Note that if the Travel Request contains the red BEC warning, the BEC must be completed, or the Travel Request will be returned to the Approver by Tax & Compliance.

Tax and Compliance Contact: Liz Solecki (elizabeth.solecki@uconn.edu)

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STUDENT TRAVEL – CONCUR BUSINESS EXPENSE CERTIFICATION (“BEC”)

Business Expense Certification?	Personal Travel Date
<ol style="list-style-type: none"> 1. Required component of a UConn course for credit 2. Travel directly supports a faculty member's UConn business 3. Student is an employee and travel fulfills employment duties 4. None of the above 5. Taxable fellowship travel (tax department use only) 	

Description of each BEC field:

1. **Required component of a UConn course for credit** – This option should be selected if the travel expense is a required component of a UConn course for which the student will receive academic credit, and the cost of the travel was billed to the student as a mandatory fee on the student's Fee Bill.

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STUDENT TRAVEL – CONCUR BUSINESS EXPENSE CERTIFICATION (“BEC”)

2. **Travel directly supports a faculty member's UConn business** – Select this option *only if* one of the following statements is accurate:
 - The student's travel will produce tangible results which the faculty member will use for University business purposes. Examples include when a faculty member will publish the results secured by the student's travel in a research paper or when a faculty member will present the results secured by the student's travel in a University course.
 - The student is travelling as a named presenter at a conference or similar event, and the subject matter of the presentation is a faculty member's research project.
 - The student's travel is appropriate to charge to a faculty member's external grant.

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STUDENT TRAVEL – CONCUR BUSINESS EXPENSE CERTIFICATION (“BEC”)

3. **Student is an employee, and travel fulfills employment duties** – Select this option if the student is an employee (e.g. Graduate Assistant, Employee Post-Doc, or other employee), and the travel is conducted to fulfill the student's employment responsibilities.
4. **None of the above** – This option should be selected by the Approver if none of the options 1 through 3 above apply. The Tax & Compliance Office may reach out to the Approver to obtain additional information regarding the purpose for the travel.

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STUDENT TRAVEL – CONCUR BUSINESS EXPENSE CERTIFICATION (“BEC”)

BEC Resources

- BEC Field - Frequently Asked Questions Document: [Business Expense Certification Field - Frequently Asked Questions](#)
- BEC Field – Examples: [Business Expense Certification Field – Examples](#)
- Contact the Tax & Compliance Office: taxcompliance@uconn.edu

Concur Resources

- Concur Resources: <https://travel.uconn.edu/training-and-resources/>
- Contact the Travel Department: travel@uconn.edu

Tax and Compliance Contact: Liz Solecki (elizabeth.solecki@uconn.edu)

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NONRESIDENT ALIEN TAX

UConn may be required to withhold and pay to the IRS federal income taxes from certain payments to foreign students or vendors

IRS’ theory is that such individuals can and do easily leave the US without paying income tax	To combat this risk, the IRS generally <i>subjects payments to Nonresident Aliens to tax withholding at rates up to 30%</i>	<u>UConn, as payor, is liable to IRS for any tax we fail to withhold, plus penalties and interest.</u>
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NONRESIDENT ALIEN TAX

Nonresident Alien (NRA) Tax Example

UConn agrees to pay a \$1,000 honorarium to a non-US professor to guest lecture at UConn.

If this payment is subject to 30% NRA taxation, we are required to withhold \$300 from that payment and transmit the \$300 to the IRS. The professor receives \$700.	PAYMENT AMOUNT	\$1,000
	30% NRA TAX	<u>\$(300)</u>
	PROFESSOR RECEIVES	\$700

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NONRESIDENT ALIEN TAX

Common payments that may be subject to NRA tax include

- Students and research fellows – scholarship/fellowship payments (research and analysis required to determine whether withholding is required)
- “Honorarium” payments made to guest lecturers or researchers
- Equipment installation, maintenance, training (if performed in the US)
- Software license payments
- Other services performed by Independent Contractors
 - E.g., certifications of equipment

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NONRESIDENT ALIEN TAX

To determine if a payment is subject to NRA tax:

Who are we paying?

- US Citizen/Equivalent vs. Nonresident Alien
 - US citizens, Green Card holders, those who pass “substantial presence” test *not subject to NRA tax*
 - Nonresident aliens are everyone else, and are subject to withholding at up to 30%

What are we paying for?

- US Source Income vs. Foreign source income
- Visa status and/or treaty benefits may reduce or eliminate withholding requirement

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NONRESIDENT ALIEN TAX

This all sounds complicated, right?

The good news: Tax and Compliance department screens for NRA compliance in PeopleSoft and HuskyBuy. All HuskyBuy registrations for foreign vendors are routed to Tax for review and approval:

LAST, FIRST NAME

Registration Status: Profile Complete

Registration Type: Individual Profile

View Supplier Registration

About >

Contacts and Locations >

Diversity >

Workflow and Review >

Supplier Registration Workflow

Submitted
7/5/2019
6:11 AM

Duplicate Rebut Completed ✓

Supplier Group Approval Approved ✓
Sean Martin

Foreign Supplier Approval Active ✓
Elizabeth Solecki
[View approvals](#)

Sync to ERP Future **

Supplier Actions ▾ 1

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NONRESIDENT ALIEN TAX

Tax and Compliance NRA screening:

- Our goal is to gather as much information as possible regarding the vendor and the nature of the transaction during the registration process to facilitate the invoice payment process
- Answering the "Reasons for registering as a vendor" questionnaire helps Tax and Compliance understand "what are we paying for"

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NONRESIDENT ALIEN TAX

<p>Additional Required Tax Information - Foreign Individual</p> <p>Reason for registering as a vendor with the University of Connecticut: <small>For use on individual vendor W-8BEN or W-8BEN-E. Do not use for other purposes.</small></p> <p>Business <small>Are you providing services to the University in which all or part of the services will be performed by the U.S. (Examples include: teaching, engineering, financial, medical, consulting, etc.)</small></p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable</p> <p>Teaching/Tenure Status <small>Are you acting in a teaching position or as a faculty member at the University of Connecticut? (Examples include: teaching, engineering, financial, medical, consulting, etc.)</small></p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable</p> <p>Investment <small>Are you providing services to the University in which all or part of the services will be performed by the U.S. (Examples include: teaching, engineering, financial, medical, consulting, etc.)</small></p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable</p>	<p>Identity/Residence <small>Are you currently residing in a foreign country? (If yes, please provide the name of the country and the state/province/territory.)</small></p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable</p> <p>Bank Account or Proxy <small>Are you providing a bank account or proxy for the University for additional payments outside the U.S.?</small></p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable</p> <p>Spouse/Alimony Only <small>Are you providing a bank account or proxy for the University for additional payments outside the U.S.?</small></p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable</p>
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NONRESIDENT ALIEN TAX

Tax and Compliance NRA screening:

- All foreign vendors are required to attach a completed Form W-8BEN (individual) or Form W-8BEN-E (entity), Tax and Compliance reviews Form W-8BEN/W-8BEN-E to ensure completed correctly and determine if treaty benefits are available
- Tax and Compliance may contact Department or vendor directly if we have questions or need additional documentation
- Tax and Compliance applies one of 3 codes to the foreign vendor profile:

<p>Reimbursement Only <small>(reimbursement of receipts only - not taxable or reportable)</small></p>	<p>NRA Tax <small>(may be subject to NRA tax withholding and Form 1042-S reporting. Tax and Compliance reviews certain invoices with an NRA Tax code)</small></p>	<p>Foreign Source <small>(no NRA tax withholding or Form 1042-S reporting is required)</small></p>	<p>Examples of when we would apply a Foreign Source code:</p> <ul style="list-style-type: none"> • Foreign vendor sells tangible property only (no services such as installation or training) • Foreign hotel for conference held outside the US
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CHARITABLE CONTRIBUTIONS

CHARITABLE CONTRIBUTION BASICS	<p>Individuals may claim a tax deduction for contributions made to charitable organizations</p> <p>Generally, the recipient organization must be recognized as tax-exempt under IRC Sec. 501(c)(3) to permit a deduction</p> <ul style="list-style-type: none"> • UConn is qualified to receive tax-deductible charitable contributions under IRC Sec. 170 <p>To benefit from this "deduct" on the individuals' tax return, they must itemize and not claim the standard deduction</p> <ul style="list-style-type: none"> • Post tax reform, \$27,700 for Married Filing Jointly (2023), with \$10,000 limit for state and local taxes many individuals may not reach threshold
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CHARITABLE CONTRIBUTIONS

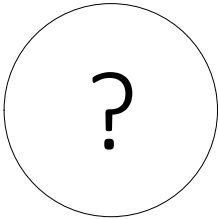
UConn process upon receipt of charitable contributions

- Cash charitable contributions: Departments are requested to issue confirmation letter to the donor
- Non-Cash charitable contributions:
 - \$5,000 or less: Departments are asked to issue confirmation letter
 - Over \$5,000:
 - o Contact UConn Tax & Compliance
 - o A professional valuation appraisal, legal deed, and UConn signature on tax Form 8283 may be required.
- For more information see UConn's *Guidance on In Kind Gifts* ([In Kind Gifts Guidance](#))

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QUESTIONS



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