Three areas of tax:

- Federal Tax
- North Carolina State Tax
- Foreign National Tax
Identify Payee
- Company
- Employee
- Non-employee
  - providing services, complete Independent Contractor Checklist (ICC)
  - If necessary, complete vendor setup forms

Determine Payment type and appropriate funding
- Submitter responsible for understanding appropriate use of funds
- Policy 601.8 Appropriate Use of University Funds

Complete payment paperwork
- Attach supporting documentation
- Obtain appropriate approvals
Worker Classification: Should the service provider be classified as an employee or independent contractor?

Applies to all individuals who provide services to the University (consultants, project assistants, lecturers, editors, dancers, translators, etc.)

Determination must take place \textit{prior} to any service being performed

IRS is focusing its resources on worker classification issues because a significant economic incentive exists for employers to classify workers as independent contractors instead of employees

Misclassification may result in the substantial assessment of delinquent taxes and potential interest and penalties
Three tests to assess the appropriate classification:

- **Behavioral Control**
  - Focuses on the type of instructions given and the training provided to perform the job

- **Financial Control**
  - Addresses the right to control the business and financial aspects of the worker’s job

- **Relationship of the Parties**
  - Considers how the parties perceive their relationship
  - Speaks to the parties’ intent with regard to direction and control of the work

Collect and weigh information to make determination

None of the tests are conclusive in and of themselves
For tax purposes, a service provider is either an employee (paid through Payroll) or an independent contractor (paid through Accounts Payable). This checklist incorporates IRS guidance on worker classification along with North Carolina Office of State Human Resources and UNC Charlotte policies to determine the appropriate classification. If you have any questions or would like assistance in completing this checklist, please contact the Tax Office at TaxOffice@uncc.edu or 704-687-5742.

For Independent Contractor Checklist (ICC) FAQ: https://spaces.uncc.edu/x/K4AwAQ
For detailed instructions: How is Independent Contractor Checklist used to determine worker classification?

The web based form can be found here:
http://finance.uncc.edu/resources/forms/independent-contractor-checklist-icc-eform

Frequently asked questions concerning this issue can be found here:
https://faq.uncc.edu/pages/viewpage.action?pageId=19955755

The web based form manual can be found here:
http://workflowforms.uncc.edu/imaging/imaging-forms-department/tax-office
ICC – Contractor Details Individual

Individual with a University ID

- Preparer ID: [Redacted]
- Hall, Lisa

Contractor Details
- Does the contractor have a UNC Charlotte ID? Yes ☐ No ☐
- Is the contractor a person or business? Person ☐ Business ☐
- Contractor’s UNC Charlotte ID: [Redacted]
- Contractor’s First Name: Lisa
- Contractor’s Last Name: Hall
- Contractor’s Email: lhall67@uncc.edu

Individual without a University ID

Contractor Details
- Does the contractor have a UNC Charlotte ID? Yes ☐ No ☐
- Is the contractor a person or business? Person ☐ Business ☐
- Contractor’s First Name: Lisa
- Contractor’s Last Name: Hall
- Contractor’s Email: lhall67@uncc.edu
ICC – Contractor Details Business

Business with a University ID

Business without a University ID
ICC – Residency, Description, Service Period

- Provide the tax residency of the contractor
  
  
  Choose Tax Residency
  
  Resident of North Carolina AND a U.S. citizen or entity
  Resident of a state other than North Carolina (in the United States) AND a U.S. citizen or entity
  Non-resident alien living in North Carolina
  Non-resident alien in the U.S., but not living in North Carolina
  Resident of North Carolina and Resident Alien
  Resident of a state other than North Carolina in the US and Resident Alien
  Non-resident person providing services outside of the United States

- Provide a brief description of the services
  
  Description of Services to be Provided: 

- Provide the dates of the services
  
  Date(s) of services:  
  Begin Date: 
  
  End Date: 

  Add New Date Range
ICC – Questions

1. Is the individual receiving retirement benefits from the state of North Carolina?
2. Is the individual on record as a current employee of the University or any other NC state agency?
3. During the 12 months prior to this work, was the individual an employee of the University or any other North Carolina state agency?
4. Is it expected that the University will hire this individual as an employee following the termination of this work?
5. Is this individual related or married to a UNC Charlotte employee?
6. Does this individual have a business relationship with a UNC Charlotte employee?
7. Does the University provide the individual with instructions as to when, where, and how the work is to be performed?
8. Does the University provide training to the individual?
9. Does the University require the individual to submit interim reports?
10. Does the University pay for the individual’s business and travel expenses?
11. Does the individual have an investment in his or her own business?
12. Does the individual make his or her services available to other relevant markets?
13. Is the individual paid by the hour, week or month?
14. Can the individual recognize a profit or loss from the services performed?
15. Does the University have a written contract with the individual for the services being performed?
16. Is the work being performed a key or integral part of the regular business of the University?
17. If the work is teaching, lecturing and/or instructional in nature, is the work associated with a for-credit class?
18. Can the University refuse payment to the individual for unsatisfactory work?
ICC – Certification & Submission

- Certify that the answers you provided were correct to the best of your knowledge

- Submit your form

- You will receive a confirmation email from the Tax Office
ICC – Determination Emails

Approval

Denial

Common reasons for denial

- Currently a UNCC employee
- Providing services substantially similar to a current employee
- The University is exerting control or is able to control the services being provided
Worker Classification

- Identify the person as a service provider
- Only applied to individuals, not businesses being paid under an Employer Identification Number
- Complete Independent Contractor Checklist prior to the services being performed and prior to any submission for payment
  - Web form submitted to the Tax office
- IRS form SS-8 may be filed by either a worker or a business to request an IRS determination of worker status
State employees are subject to the dual employment rules per the NC State Personnel Manual

- Required to be paid as an employee
- *Borrowing agency* completes the CP-30 form and payment is made through *parent agency*
- Public school teachers and community college professors are not classified as state government employees

**Note:** The new ICC e-form will help you to determine if the individual is subject to the Dual Employment Rules

**Policy:**
- [https://oshr.nc.gov/policies-forms/employment-records/dual-employment](https://oshr.nc.gov/policies-forms/employment-records/dual-employment)

**CP-30 Form:**
- [http://hr.uncc.edu/sites/hr.uncc.edu/files/media/forms/CP30.pdf](http://hr.uncc.edu/sites/hr.uncc.edu/files/media/forms/CP30.pdf)
Misclassification of payment can lead to incorrect withholding of taxes and incorrect reporting of payment.

The name given to the payment by the payer is not controlling:
- A scholarship requiring services to be performed is compensation.
- A stipend may be a scholarship, a fellowship grant, or compensation.

More information is required to process these payment types correctly.
Payment Type Examples

Dependent (Employees)
- Wages/Salary/Stipend (also applies to employee within the calendar year)
  - Human Resources/Academic Affairs Forms
- Travel Reimbursement
  - Employee Travel Authorization/Travel Reimbursement & Expense Report (TA/TRER)
- Other Reimbursement
  - Direct Pay Request (DPR)

Independent (Independent Contractors)
- Independent Personal Services /Consulting Fee/ Honorarium/Guest Speaker Fees
  - Direct Pay Request (DPR) or 49er Mart (if vendor accepts Purchasing Orders)
- Travel Reimbursement/Payment
  - DPR and/or Non-employee Travel Authorization/Travel Reimbursement & Expense Report (TA/TRER)
- Other Payment
  - Invoiced/Direct Pay Request
Reportable Payments

Form 1099-MISC issued for each non-employee person paid at least $600 in the calendar year for payments that include:

- Rents
- Royalties
- Fees
- Commissions
- Services performed as a non-employee
- Prizes and awards to a non-employees
- Medical and health care payments
- Gross proceeds to an attorney
Generally, the following payments are not required to be reported on Form 1099-MISC

- Payments to Corporations (except medical and legal)
- Payments for Merchandise (except if services provided with merchandise)
- Scholarships or Fellowships (reported on Form 1098-T)
Stipend

A generic form of payment in a higher education setting. This requires further definition for payment processing purposes.

Payment for services
- Wages – processed under compensation guidelines (employee within the calendar year)
- Honorarium

No service component
- Scholarship
- Participant stipend
Participant Stipend Process

- Payment has no element of service, past, present or future
  - Complete Direct Pay Request with supporting documentation
    - Include payment details and business purpose
  - Grant fund stipends can be processed through SEA system (grant funds only!)

- Payment has service element – usually Honorarium
  - Complete Direct Pay Request with supporting documentation
    - Include payment details and business purpose
  - For Employee – complete HR forms to process through Payroll

- Payment is a Scholarship
  - SEA System
  - See next slide for details
Scholarships and Fellowship Grants

- An award of financial aid for the student to further their education and/pay for personal educational expenses
  - Tuition and Fees
  - Room and Board
  - Book Allowances
  - Parking
  - Travel Award (if no University business purpose)

- Processing procedures:
  - US citizens, Non-US citizens & Travel Awards
  - Student Educational Award (online)
  - [https://research.uncc.edu/departments/grants-contracts-administration-gca/fiscal-award-management/paying-tuition-fees](https://research.uncc.edu/departments/grants-contracts-administration-gca/fiscal-award-management/paying-tuition-fees)
Honorarium

A payment and associated incidental expenses for a usual academic activity or activities for which payment is not legally required.

- Recognition of acts or professional services
- Fee for services rendered by a professional person
- Token of appreciation

Processing procedures:

- Direct Pay Request
  - After the event has occurred
  - Supporting documentation includes
    - Payment details with business purpose
    - Agenda or invite
    - Must have the $ amount intended to give the payee on the invite or memo
NC 4% Withholding

NC Statute requires withholding at a rate of 4% on cumulative payments over $1,500 during a calendar year for certain personal services performed in NC by nonresidents and ITIN holders.

For purposes of the 4% withholding, the personal services subject to withholding are limited to the following personal services in connection with:

- A performance
- An entertainment or athletic event
- A speech, or
- The creation of a film, radio, or television program

What is the North Carolina 4% withholding tax?
Guest Speaker Example

- Receive a completed Vendor Information Form from the vendor
- Complete an Independent Contractor Checklist
- Guest speaker performs
- Create a DPR
- Submit the DPR
An ITIN is an Individual Taxpayer Identification Number issued by the IRS

Usually non-resident aliens have ITINs unless they have been employed on a working or student visa

Only applicable to individuals

Services are defined as services performed in NC for compensation paid to a non-employee
<table>
<thead>
<tr>
<th>Tax System</th>
<th>Residency Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Tax System</td>
<td>US Citizens</td>
</tr>
<tr>
<td></td>
<td>Lawful Permanent Residents</td>
</tr>
<tr>
<td></td>
<td>Resident Alien for Tax Purposes</td>
</tr>
<tr>
<td>Nonresident Alien Tax System</td>
<td>Nonresident Alien for Tax Purposes</td>
</tr>
</tbody>
</table>
The Tax Office reviews the Foreign National Information Form for tax residency and tax treaty eligibility.

---

**University of North Carolina at Charlotte**

**Foreign National Information Form**

This version is for VISITORS, and must be completed to receive any form of payment.

Please answer all of the questions. Submit the completed form along with Form W-8BEN via fax to 704-687-8514 or mail to UNC Charlotte, Travel and Complex Payments, 9201 University City Blvd, Reese Building 3rd floor, Charlotte, NC 28223. An incomplete form will delay payment. For any question that is not applicable, please note N/A. If you have any questions regarding this form, call the Tax Office at (704) 687-5819. Copies of the following documents may be requested upon review of the form: photo page of your passport, social security card or ITIN, I-94 departure card, visa, and current I-20, DS2019, I-797 or other applicable immigration/visa document.

UNC Charlotte Contact (Name, Department, Phone Number):

---

(1) PERSONAL INFORMATION

<table>
<thead>
<tr>
<th>Last or Family Name</th>
<th>First Name</th>
<th>Middle</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date of Birth (mm/dd/yy)</th>
<th>Social Security Number or ITIN</th>
<th>UNC Charlotte ID Number</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>U.S. Telephone Number</th>
<th>Email Address</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(2) ADDRESS INFORMATION (Street Address, not a P.O. Box)

<table>
<thead>
<tr>
<th>U.S. ADDRESS (Use campus department address if visitor does not have a local address)</th>
<th>HOME COUNTRY/PERMANENT ADDRESS (This is required to claim treaty benefits)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Address Line 1</th>
<th>Address Line 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Address Line 2</th>
<th>Address Line 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Nonresident Aliens

General Rule

- Must withhold federal income tax from all income payments made to or on behalf of a nonresident alien

Withhold at 30% unless

- An exception is available (e.g. treaty, scholarship, employment wage withholding)
  - and
  - The requirements for exceptions are met

If the withholding agent does not withhold the appropriate amount of tax at the time of payment, the withholding agent will be liable for the tax, plus any penalties and interest — regardless of whether the individual pays the tax on his or her tax return
Receive a completed W-8BEN and Foreign National Information Form from the vendor

Contact the Tax Office and provide a copy of the FNIF
  - We will check for residency status, restrictions on payment, and potential treaty benefits

Complete an Independent Contractor Checklist

Guest speaker performs

Meets with Tax Office if eligible for treaty benefits

Create a DPR

Submit the DPR
Royalties

- Payment for the use of intellectual property
  - Examples include:
    - Rights to music, movies, literature
    - Software licenses

- Submit Form W-8BEN-E for foreign royalty payments
  - To determine the residency status of the payee prior to payment
  - To determine if treaty benefits are available, depending on the country
Gross-up

Increase of gross payment due to recipient to cover any taxes withheld so the individual receives the full amount
- Must use Discretionary funds
- Check option for this on Direct Pay Request
  - Federal 30% nonresident alien withholding
  - NC 4% out-of-state payee withholding

<table>
<thead>
<tr>
<th>UNC Charlotte - Direct Pay Request</th>
<th>Date Prepared</th>
<th>09/25/17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Vendor Information</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individual Vendor</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNC Charlotte Student</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNC Charlotte Employee</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Vendor Information</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNC Charlotte ID #:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Address:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zip:</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2. Citizenship Status</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>one of the following boxes must be checked</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payee is a U.S. Citizen or a Permanent Resident Alien</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payee is a Nonresident Alien</td>
<td></td>
<td></td>
</tr>
<tr>
<td>This payment may be taxable. Check box to gross up payment.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>3. State Residency</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>check box if appropriate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Out-of-state payee subject to 4% NC withholding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>This payment may be taxable. Check box to gross up payment.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Gifts, Awards, and Prizes

"And remember to check with your accountant, as the gifts I've bestowed upon you may be subject to tax."
Prizes and Awards

Payment to recognize and reward actions or achievements
Department decides whether prize/award is educational or non-educational

**Educational** – prize/award is required to be used to further education (e.g. scholarship); payment is made via Student Account
- Process via Student Educational Award (online)

**Non-educational** – prize/award can be used for any purpose; payment is made directly to student or individual
- Process via Direct Pay Request
- Include supporting documentation with payment details and business purpose
- Prizes paid to employees are reviewed by the Tax office and could require processing through Payroll
Gift Cards

Gift cards should be for tangible personal property, of minimal value, and given infrequently.

Processing procedures:
- Purchasing Card
- Direct Pay Request to vendor request check pick up to hand carry to vendor or Direct Pay Request as reimbursement
  - Provide supporting documentation that includes payment details, business purpose, quantity and dollar amount of gift cards
  - If confidentiality of the recipients is required by the research or study, note this on the Direct Pay Request

Gifts, Awards, and Prizes Policy 602.11 (previously Policy 602.11)
Gifts, Awards, and Prizes

Gifts, awards, and prizes awarded to employees and nonemployees might be subject to tax reporting and withholding requirements

University Policy 602.11

Forms:
- **Appendix A** – Thresholds for Reportable Gifts, Awards, and Prizes
- **Appendix B** – Reportable Gifts, Awards & Prizes Documentation Form
- **Foreign National Information Form**
**Fringe Benefits**

A **fringe benefit** is a form of payment in addition to stated pay for the performance of services.

Examples: Travel and meal reimbursements, subscriptions to business periodicals, employee picnics, sporting or theater tickets, club dues, etc.

**General rule:** Additional pay is taxable unless specifically excluded by the Internal Revenue Code.

**Common exclusions:**
- Accountable plan
- Working condition fringe benefits
- De Minimis fringe benefits
- Qualified tuition reductions
- Meals or lodging for employer’s convenience
**Personal Reimbursements**

- **Non-travel business expense reimbursements**
- **Purchasing card**
  - Eliminates the need for non-travel employee reimbursements via DPR
  - Low dollar, high volume purchases
  - Eliminates sales tax expense

- **Direct Pay Request** – for reimbursement not on p-card
  - Itemized receipt
  - Supporting documentation that includes payment details and business purpose
  - Food, Beverage and Amenity Form (may be needed)
Receipts

Receipts are required for reimbursement or TXN number if p-card is used

A valid receipt must include documentary evidence that supports
- date
- time
- place
- amount
- business purpose
Missing Receipts

For lost receipts, file a Missing Receipt Affidavit form
- Not required for parking, taxi, tolls, and other cash transportation expenditures for $25 or less
- Supervisor signature required

UNC CHARLOTTE
MISSING RECEIPT AFFIDAVIT

Please read the Missing Receipt Affidavit requirements on the next page. Missing Receipt Affidavits lacking the required information or documentation will be returned to the authorized signer.

Airline Ticket Receipts
- Attached is a copy or fax of the airline ticket receipt (last page of the ticket stub).
  - OR- I certify that I have contacted the agency and was unable to obtain a copy of the ticket receipt. Therefore I have attached the following:
  - A copy of the itinerary invoice and form of payment (i.e., credit card statement, cancelled check)

Hotel Folio
- Attached is a copy or fax of the hotel folio.
  - OR- I certify the charges were rendered to my department and include a copy of the folio.

Last Revision 05/26/09
University has an exclusive contract with Chartwells to provide food for events on campus

- Includes on-campus meetings, coffee breaks, refreshments
- Policy 709, Food Service Policy
- Any exception must be approved by the Auxiliary Service Contract Manager or the Director of Auxiliary Services, or can contact: Marisa Elston, mjelston@uncc.edu, 7-7352

Processing procedures:

On-campus food purchases
- Chartwells catering via 49er Mart
- Food, Beverage and Amenity Form
- Invoice

Off-campus food purchases
- P-card with Hospitality Profile, 49er Mart or Direct Pay Request
- Food, Beverage and Amenity Form
- Other supporting documentation that includes payment details, and business purpose
Unrelated Business Income

Unrelated Business Income Tax (UBIT)
- Trade or Business (that is)
- Regularly Carried On (which is)
- Not Substantially Related (to UNC Charlotte’s tax-exempt mission).

Reasonable Expense Allocation Method

Certain Exclusions or Exceptions may apply
- Convenience Exception
Other Taxes

Sales Tax
- When selling goods or services we may be required to charge sales tax and remit the tax monthly to the state
- Current rate in Mecklenburg County is 7.25%

NC Sales Tax Exemption Certificate
UNC Charlotte Income Tax Status Letter
Questions
Some Payments seem Complex because of the reporting and withholding requirements associated with
- Federal Tax
- North Carolina State Tax
- Foreign National Tax

Remember:
- To clearly Identify the Payee before making the payment
  - Employee/Independent Contractor
  - Complete ICC Checklist if needed
- Determine the appropriate Payment type/Funding
- Complete the correct paperwork
- Please contact the Tax Office for information concerning foreign vendor payments
Resources

Tax Office website

Travel and Complex Payments website

Policy Statement #601.8, Appropriate Use of University Funds
http://legal.uncc.edu/policies/up-601.8

North Carolina Budget Manual
http://www.osbm.nc.gov/library

Research Cost Management Scholarship Award System
http://research.uncc.edu/departments/grants-contracts-administration-gca/grants-services/paying-tuition-fees

Admin-Chat-Room-Group – used to assist in disseminating changes to the campus – contact Julie Hughes to be added to the group
Contacts

Tax Office
  Reese Building, 3rd Floor

Tax Accountant
  Lisa Hall 7-5742

Assistant Controller – Tax and Payroll
  Robyn Diehm 7-5819
Travel and Complex Payments are now part of the Disbursements Department
- Reese Building, 3rd Floor
- travel@uncc.edu

Payment Specialists
- Heather Banes (A-D)
- Kory Rice (E-L)
- Chris Maynard (M-R)
- Wendy Haigler (S-Z)
- Jane Hawes (Special Payments & Delegated Authority)

Vendor Relations Specialist
- Melanie Stricklin
- vendor-setup@uncc.edu

Disbursements Manager
- Jerri Painter 7-5792