

UConn

**FISCAL INSTITUTE FOR
TRAINING (FIT)**

TAX AND COMPLIANCE



TAX AND COMPLIANCE OFFICE – GETTING TO KNOW US



PERSONNEL

Christopher Cipriani, Director
Laura House, Assistant Director
Liz Solecki, Tax Manager
Ryan McMenemy, Tax Senior



Location

Budds Building
3rd floor



Website and Email

<https://tax.controller.uconn.edu>
TaxCompliance@uconn.edu

TAX AND COMPLIANCE OFFICE – GETTING TO KNOW US

OFFICE OF THE ASSOCIATE VICE PRESIDENT OF FINANCIAL OPERATIONS AND CONTROLLER - MANAGEMENT TEAM



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

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

TAXES AT UCONN

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:



Unrelated Business Income Tax – Certain University activities that are unrelated to our educational and research-based mission



Sales & Use Tax – Exempt from paying sales tax on most purchases, but we may be required to collect sales tax on certain sales



Employment Tax – Withhold federal and state taxes from wages paid to employees



Nonresident Alien Tax – Withhold federal taxes from payments to foreign students or vendors



Athletes or Entertainers Tax – Withhold Connecticut taxes from payments to CT nonresident performers, including athletes

TAXES AT UCONN

Further, we may be required to report certain transactions to the IRS, even if no tax payment is required.

Examples include:

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

UNRELATED BUSINESS INCOME TAX

FEDERAL TAX STATUS OF UCONN

- 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:
 - Rental income from Cell Towers
- IRS calls this “Unrelated Business Income Tax”
 - UConn files annual federal income tax return (Form 990-T)
 - UConn remits estimated federal income tax payments 4x/year

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

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

SALES & USE TAX

Sale of Goods *	Sale of Services *	
Taxable, unless exempt. Taxable goods include:	Exempt, unless taxable. Taxable services include:	
Most clothing and footwear	Advertising and public relations	What to look out for:
Meals sold by an eating establishment or caterer (unless sold at a college to students or staff)	Gym Memberships	<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>
Textbooks (unless sold to a college student)	Business analysis, management consulting	
Tax rate: 6.35 – 7.35%**	Tax rate: 6.35%**	

* 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

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”)

Fringe Benefits - potentially taxable *

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

Fringe Benefits - generally not taxable *

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)

* List is not comprehensive, list is prepared for demonstrative purposes only.
For more information see IRS Publication 15-B ([IRS Publication 15-B](#))

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”

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

EMPLOYMENT TAX

Employee vs.
Independent
Contractor

“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.”

University Business Services reviews personal services agreements to screen for Employee vs. Independent Contractor relationship

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

EMPLOYMENT TAX

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

Behavioral Control

Financial Control

- 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

EMPLOYMENT TAX

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

Behavioral Control

Financial Control

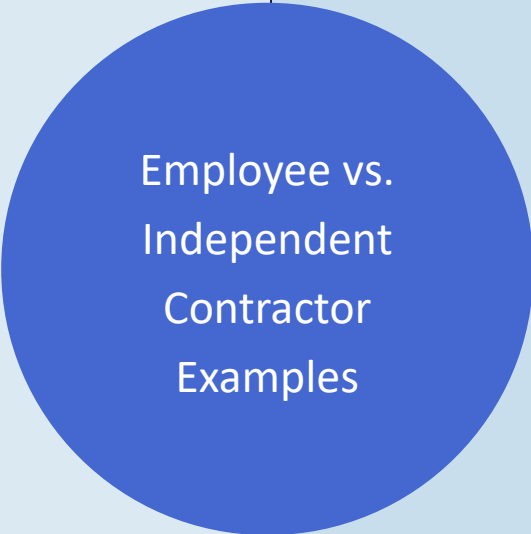
Relationship of the Parties

- 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

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?

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.

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:

Appropriate classification of payments for tax purposes is vital to determine the following:

- 01 Scholarship
- 02 Fellowship
- 03 Prize or Award
- 04 Business Expense Reimbursement
- 05 Wages

- ? 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?

PAYMENTS TO STUDENTS AND UNIVERSITY FELLOWS

What type of payment are we making to the recipient?	Is the payment taxable to the recipient?	Is UConn required to report the payment to the IRS?				Is tax withholding required?	
		UConn student		Not a UConn Student		US Citizen/ Equivalent	Nonresident Alien
		US Citizen/ Equivalent	Nonresident Alien	US Citizen/ Equivalent	Nonresident Alien		
Fellowship	Yes*	Yes, Form 1098-T	Yes, Form 1042-S	No	Yes, Form 1042-S	No	Contact Tax and Compliance
Scholarship	Yes*	Yes, Form 1098-T	Yes, Form 1042-S	No	Yes, Form 1042-S	No	Contact Tax and Compliance
Prize or Award **	Yes	Yes, Form 1099 (or 1098-T**)	Yes, Form 1042-S	Yes, Form 1099	Yes, Form 1042-S	No	Contact Tax and Compliance
Business Expense Reimbursement	No	No	No	No	No	No	No
Wages	Yes	Yes, Form W-2	Yes, Form W-2/ 1042-S	Yes, Form W-2	Yes, Form W-2/ 1042-S	Yes	Contact Payroll Department

* Unless student applies to "Qualified Tuition and Related Expenses" (tuition or mandatory university fees; NOT room and board or non-mandatory fees)

** Prizes or Awards paid to UConn students from a contest, competition, drawing, or other giveaway that is only open to UConn students may be required to be processed as scholarships. Contact Student Financial Aid Services for further guidance.

PAYMENTS TO STUDENTS AND UNIVERSITY FELLOWS

COMMON PAYMENT SCENARIO

- UConn provides a cash stipend payment to a UConn student conducting research
 - Typical Tax Treatment: Fellowship or Wages
 - The *Bingler Test* determines whether the IRS will consider this cash stipend to be a fellowship or wages: (<https://financialaid.uconn.edu/fellowships/>)

PAYMENTS TO STUDENTS AND UNIVERSITY FELLOWS

RESOURCES

- IRS Publication 970: <https://www.irs.gov/forms-pubs/about-publication-970>
- UConn Student Tax FAQ's: <https://tax.controller.uconn.edu/student-tax-faqs/>
- UConn 1098-T FAQ's: <https://bursar.uconn.edu/1098-t/1098-t-faq/>

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 QTREs.
- 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 QTREs (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.

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

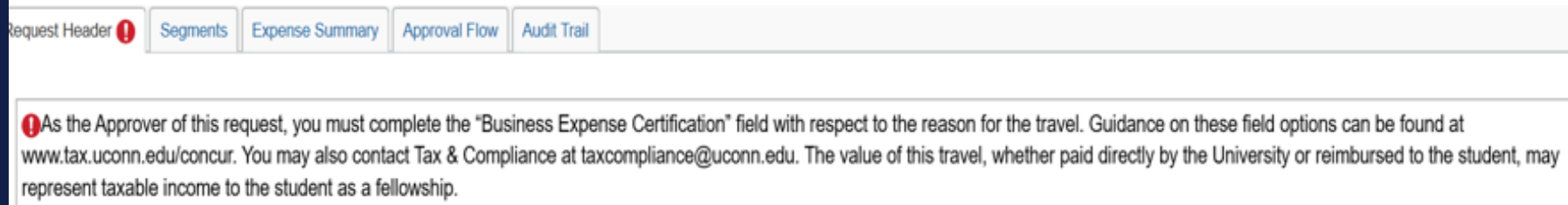
- Travel expenses that are classified as a Fellowship to a Nonresident Alien student are reportable to the IRS on Form 1042-S and may be subject to 14% income tax withholding.

* The Tax & Compliance Office maintains student records and makes the determination as to whether tax withholding is required.

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:



The screenshot shows a navigation bar with tabs: Request Header (with a red warning icon), Segments, Expense Summary, Approval Flow, and Audit Trail. Below the navigation bar, a red warning message is displayed: "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.

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

The image shows a screenshot of a web form. At the top, there are two labels: "Business Expense Certification" with a question mark icon and "Personal Travel Date". Below "Business Expense Certification" is a dropdown menu. The dropdown menu is open, showing five options:

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.

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.*

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.

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

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 *subjects payments to Nonresident Aliens to tax withholding at rates up to 30%*

UConn, as payor, is liable to IRS for any tax we fail to withhold, plus penalties and interest.

NONRESIDENT ALIEN TAX

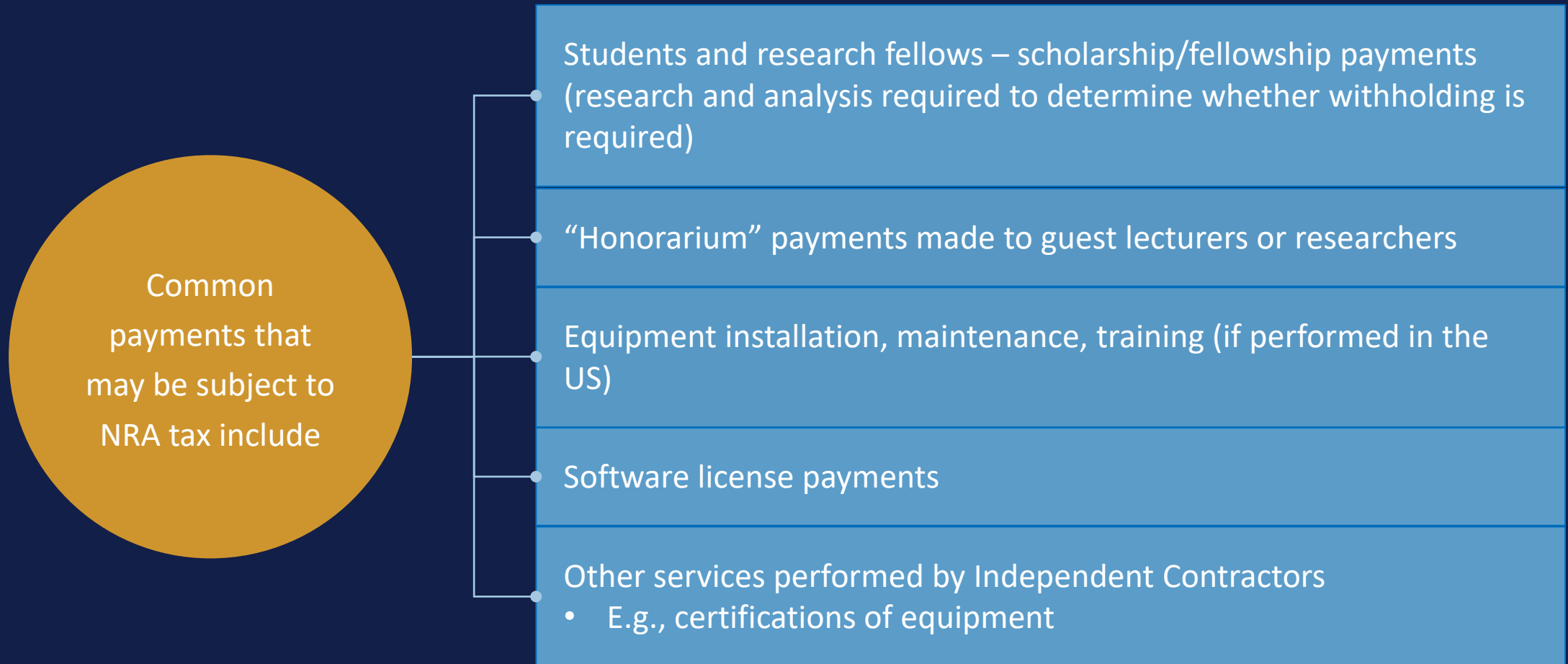
Nonresident Alien (NRA) Tax Example

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

NONRESIDENT ALIEN TAX



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

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

Supplier Actions ▾ ?



The diagram shows a linear workflow with five stages: Submitted (7/9/2019 6:12 AM), Duplicate Robot (Completed), Supplier Group Approval (Approved by Sean Martin), Foreign Supplier Approval (Active, Elizabeth Solecki), and Sync to ERP (Future). The 'Foreign Supplier Approval' stage is highlighted with a double border and a refresh icon. A checkered flag icon labeled 'Finish' is at the end of the flow.

```
graph LR; Submitted[Submitted  
7/9/2019  
6:12 AM] --> DuplicateRobot[Duplicate Robot  
Completed ✓]; DuplicateRobot --> SupplierGroupApproval[Supplier Group Approval  
Approved ✓  
Sean Martin]; SupplierGroupApproval --> ForeignSupplierApproval[Foreign Supplier Approval  
Active ↻  
Elizabeth Solecki  
View approvers]; ForeignSupplierApproval --> SyncToERP[Sync to ERP  
Future →]; SyncToERP --> Finish[Finish]
```

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”

NONRESIDENT ALIEN TAX

Additional Required Tax Information - Foreign Individual

Reasons for registering as a vendor with the University of Connecticut

If you are an individual who is **NOT** a U.S. citizen or Resident Alien, then you **must** answer the following questions below.

Services

Are you providing a service to the University in which **all or part** of the service will be performed **in the U.S.**? (examples include: speaking engagements, theatrical, musical or artistic performances, academic research, art exhibitions) *

- Yes
 No
 Not Applicable

Selling Tangible Goods

Are you selling a tangible product or good to the University (examples include: chemicals, supplies, equipment, pre-packaged software), and the sale includes installation, service or maintenance to be performed **in the U.S.** as part of the contract *

- Yes
 No
 Not Applicable

Intangible Items

Will the University be paying you for the right to use, access, or reproduce an **intangible item** (such as copyrighted material, electronic information or an artistic work) that will be used **in the U.S.**? *

- Yes
 No
 Not Applicable

Scholarships/Fellowships

Are you receiving a scholarship or fellowship from the University for your own academic pursuits which are not conducted for or on behalf of the University and **all or part** of your scholarship/fellowship activities are conducted **in the U.S.**? *

- Yes
 No
 Not Applicable

Cash Awards or Prizes

Are you receiving a cash award or prize from the University for activities previously conducted **inside the U.S.**? *

- Yes
 No
 Not Applicable

Stipend / Allowance Only

Choose **YES** only if you are receiving a fixed dollar amount for travel expenses and you are not required to provide copies of receipts to the University.

Examples:

1. UConn is giving you a travel allowance of \$200 to attend a conference or competition on campus and you are not required to provide any receipts. CHOOSE **YES**.
2. You attended a conference at UConn and the department agreed to reimburse you for the cost of your plane ticket. You are required to provide a copy of your receipt and you will be reimbursed based on the actual cost of your ticket. CHOOSE **NO**.
3. You attended a conference at UConn and the department agreed to reimburse you for your travel costs up to \$300. You are required to provide copies of all of your travel receipts. You will be reimbursed for your actual expenses but the total reimbursement will be capped at \$300. CHOOSE **NO**.

Is the University providing you a Stipend / Allowance for travel or other allowable expenses? *

- Yes
 No

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:

Reimbursement Only (reimbursement of receipted expenses only – not taxable or reportable)	NRA Tax (may be subject to NRA tax withholding and Form 1042-S reporting. Tax and Compliance reviews certain invoices with an NRA Tax code)	Foreign Source (no NRA tax withholding or Form 1042-S reporting is required)	Examples of when we would apply a Foreign Source code: <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
---	---	--	--

CHARITABLE CONTRIBUTIONS

CHARITABLE CONTRIBUTION BASICS

Individuals may claim a tax deduction for contributions made to charitable organizations

Generally, the recipient organization must be recognized as tax-exempt under IRC Sec. 501(c)(3) to permit a deduction

- UConn is qualified to receive tax-deductible charitable contributions under IRC Sec. 170

To benefit from this “deduct” on the individuals’ tax return, they must Itemize and not claim the standard deduction

- 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

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:
 - Contact UConn Tax & Compliance
 - 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](#))

QUESTIONS

