**Compliance Chats Podcast**

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| **Podcast Title:** | Tax & Compliance Considerations for University Payments |  | **Podcast Release Date:** | October 2017 |
| **Host:** | Omar Andujar |  | **Guest Speaker(s):** | Nick Ferron |
| **Purpose** | In this interview with Nick Ferron, departments and administrative will learn about the tax implications of making various types of payments to students, employees, contractors, and University guests. Nick will also touch upon the need to collect documentation such as tax forms from payees. | | | |
| **About Guest Speaker** | Nick Ferron is the Tax & Compliance Director in the Office of the Controller. Nick is a tax attorney by trade, and practiced law for several years prior to working at the University. He is a proud graduate of both the UConn School of Law and the MBA Program. | | | |

**Summary of Interview**

**Omar:** Hello everyone and welcome back to Compliance Chats, a new podcast series intended to keep faculty and staff up-to-date on various compliance matters. My name is Omar Andujar and I'm with the Office of Audit, Compliance and Ethics and today I'm joined by Nick Ferron (also known as the University's tax compliance guy).

Nick is the Director of Tax and Compliance in the Office of the Controller and we are here to discuss tax and compliance considerations for University payments.

**Omar:** Nick, thank you so much for taking time to talk to us. To give our listeners a sense of the work that you're involved in, can you talk broadly about the different types of payments that the University makes?

**Nick:** Sure, I am very happy to be here. In my role, I push all of the Universities tax papers and prepare the returns or at least oversee the processes that result in the returns.

Generally, payments fall into one of three categories.

1. One would be wages to employees or things that are paid out through payroll. Of course, it is not just union employees and management, but it could be students and GA’s.
2. The second is scholarships (i.e. a grant, a fellowship, or something that covers tuition or a waiver).
3. The third category is payments to vendors through accounts payable. This can be sales of goods, compensation for services, or reimbursements to contractors or employees who incurred a business expense. So, you have these three categories of payment and the University has different obligations with respect to collecting paperwork, taking tax, or sending tax forms with respect to each type of different payments. Also, the recipient of the payment would have to pay taxes on certain types of payments.

**Omar:** How about a stipend? What do you considered a stipend?

**Nick:** All the word “stipend” means to me is a payment. Once we have a stipend, we have to determine what type of payment it is. For example, Graduate Assistants stipends are considered wages and are paid out through payroll. Also, travel stipends are payments to vendors or someone supporting University business by traveling. If receipts are not collected, a 1099 may need to be submitted if it exceeds $600, but if it's supported by receipts it is a business reimbursement that is non-taxable. So, the term “stipend” really does not inform us as to the nature of the payment.

**Omar:** So, it sounds like there is a number of payees (those receiving payment), can you continue with this discussion and describe some of the tax implications of each sort of payment and provide a brief summary of the different types of payees and what each of them should be aware of?

**Nick:** Sure. I’ll start with wages. If you work at the University you will notice that each paycheck shows the amount of state and federal income taxes that were withheld. Also, the W-2 form you get at the end of the year shows the amount of income you earned from the University and the amount of taxes that were withheld, and you take that and go prepare your taxes.

Scholarships get a little more complicated. Scholarships are sometimes taxable. The general rule is that if a student receives more scholarships than the required cost of tuition, than the excess needs to be claimed by the student on his or her tax return. When I say required cost of tuition, I'm talking about the mandatory fees and tuition, not personal things, such as room and board, medical insurance, and meal plans. However, even if a student gets a taxable scholarship, IRS guidance provides that the University has no obligation to withhold tax or even report it to the IRS (except in limited cases involving internationals, which I will go into later). So, it's really up to the student to look at these things. IRS publication 970 can help, or they can contact me to help them determine the taxable portion of their scholarship. Students might get a 1098-T form, but what they really need is a fee bill. A 1098-T (unlike a W-2), is met to document your eligibility for tuition related credits. Fee bills are better for identifying scholarship income.

The third payment category is vendor payments. At times, these type of payments may be taxable. In some cases, the University does not have to withhold tax as it does for employees. Contractors who perform services, such as guest speakers, will get a 1099 if the make more than $600. That is meant to report income to them or the IRS. In most cases, there is no associated tax form for vendors who sell goods. Also, some reimbursements for supported business expenses may considered a working condition fringe under section 132(g) of the Internal Revenue Code and may not need to be reported under income or withhold tax.

Some exceptions apply. For instance, athletes and entertainers from out-of-state are subject to a 6.99% Connecticut withholding tax. So, we try to direct the athlete or entertainer to reach out to DRS beforehand to see if they can negotiate for a waiver or reduction of that 6.99%. There are also certain twists related to Internationals. International guests and students are asked to provide a lot of documentation because we need to know if they are working for us, whether they are compliant with their visas, and get information regarding their tax residency. We might not have to withhold tax if they are technically tax residents or if they are from a country that has a treaty with the United States that provides that we do not have to withhold tax. So, it’s a bit complicated, but it is done with the idea of relieving the guest or student from having to have this tax withheld from their payment. International guests or students who have had tax withheld – and are a non-resident for tax purposes – will get a 1042-S form from the University. Similar to a W-2, the 1042-S form shows the amount of income paid and taxes withheld, and may be used to produce US tax forms, which may result in a refund.

Again, we are always happy to help people with helpful resources and information, but it is ultimately the responsibility of the recipients of income to know the laws.

**Omar:** You mentioned some resources throughout the discussion, where can our listeners learn more about your office and the various issues and resources pertaining to tax compliance.

**Nick:**  There is a lot out there, but we have tried to organize everything very nicely into the [tax.uconn.edu](file:///C:\Users\nwf06001\AppData\Local\Microsoft\Windows\INetCache\Content.Outlook\VISQU7WX\tax.uconn.edu) website. Of course, people can reach out to me at 860-486-0933 or you can email me at [nicholas.ferron@uconn.edu](mailto:nicholas.ferron@uconn.edu) and I am happy to get back to you as quickly as I can.

**Wrap up:** Nick, thank you for your time with us today. To those of you tuning in, thanks again for listening and be on the look-out for other interesting Compliance Chats in the coming months. Thank you!

**Referenced or Related Resources**

* UConn Tax Compliance Website: [tax.uconn.edu](file:///C:\Users\nwf06001\AppData\Local\Microsoft\Windows\INetCache\Content.Outlook\VISQU7WX\tax.uconn.edu)
* Form W-9: http://tax.uconn.edu/wp-content/uploads/sites/1262/2016/01/UConn-W-9-2017.pdf
* **International Visitor Checklist:** http://tax.uconn.edu/wp-content/uploads/sites/1262/2016/03/International-Visitors-Checklist-Feb-2016.pdf
* **Student Tax FAQs:** https://web9.uits.uconn.edu/financesystemsmedia/FAQs\_Student\_Tax.html
* **Nonresident Tax FAQs:** https://web9.uits.uconn.edu/financesystemsmedia/FAQs\_Nonresident\_Tax.html
* Publication 970 - Internal Revenue Service: https://www.irs.gov/pub/irs-pdf/p970.pdf
* Bursar's Office Notes on Tax Form 1098-T: https://www.irs.gov/pub/irs-pdf/p970.pdf