

Personal Payments Training

Presenters

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Agenda

- Objectives
- Types of Personal Payments
- International Payments
- Avoiding Common Errors & Roadblocks
- Vendor Set Up Requirements
- Fraud Prevention Reminders
- Resources

Personal Payments Training Objectives

- *Develop an understanding of the different types of personal payments and the business purpose of each. (link to definitions included in the resources section)*
- *Develop an understanding of the documentation and approvals needed for each type of payment.*
- *Learn how to avoid common errors and roadblocks.*
- *Understand the processes and data needed to add new vendors and maintain current vendor data.*
- *Learn the processes associated with payments to international persons/students/vendors.*



Types of Personal Payments

Moving Allowance - Always Taxable income

- Business Purpose: The university sometimes provides an allowance to new employees when moving to a new work location.
- Typical Payees – New employees to the University
- Typical Documentation Required – When paid on a ZV60 > 30 days from Hire date:
 - Employee's offer letter, PC Form, Moving Allowance Template, Moving Allowance TaxCalculator.xlsx (live.com)
- Reimbursement of actual moving expense are always paid through payroll (and generally not allowed).

Prospective Employee Reimbursements – Non-taxable income, unless paying for spouse/family

- Business Purpose: why do we pay these? Job Search expenses (Food, Travel, Lodging, etc.)
- Typical Payees – Prospective employees (Faculty, staff or graduate students with employment)
- Typical Documentation Required: Form 17C and original receipts
- Note: Reimbursements for the prospective employee are tax-free; any expenses reimbursed for spouse and/or others is taxable income to the prospective employees.

Types of Personal Payments Continued

Living Allowance – Taxability depends on immigration status

- Business Purpose: Allows departments to have outside persons collaborate in research activities. This is Non-Paid Non-Employee status
- Typical Payees: Scholars, students, International Visitors
- US Citizen or International: Should have funding from home institution.
- International Students and Scholars Resources: <https://www.purdue.edu/ippu/iss/scholar/faculty-staff/i-am-a/visitingscholar.html>
- Typical Documentation Required: PC Form, Invitation Letter (formerly Offer Letter), Glacier (Includes required documents) for international payees

Fees to Performers (and athletes) - Always taxable income

- Business Purpose: paid to performers, artists and athletes for artistic or entertainment services
- Typical Documentation Required: PC Form, contract, Glacier (Includes required documents) for international payees. May have an invoice.

Types of Personal Payments Continued

Cash Advances - Usually not taxable

- Business Purpose: Allows University employees to have funds before a business trip
- Typical Payees – Employees
- Typical Documentation Required – a Project Advance Form is needed if the trip is research related and should include an expense estimate + a Promissory Note. An IRB number must be included on the Project Advance Form.
- Note: Any unused cash advances not returned to the University after completion of the trip or event that necessitated the advance will become taxable income to the employee.

Human Subjects – Always taxable income

- Business Purpose: Payment to a person who participates in a research study project
- Typical Payees – Individuals (employees or non-employees), Domestic or International
- Typical Documentation Required – PC Form or Human Subject Invoice Log, Glacier required if international

Case Study #1

A faculty member has written and requested a \$3,000/monthly living stipend for a visiting scholar that already has an offer letter (the offer letter did not include a living stipend in the letter).

What steps do you need to take to implement this monthly non-payroll payment to this visiting scholar?

The resolution is determined by the Visa Type of the individual.



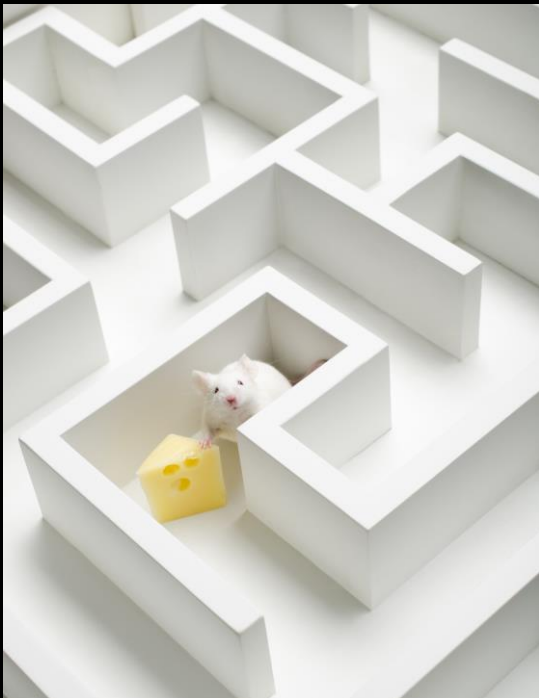
Case Study #1:

The resolution is dependent on the individual's Visa type.

Resolution 1:

The individual is in the in the country on an F-2 Visa.

The visa type of this individual does NOT allow for receipt of a living allowance.



Resolution 2:

The individual is in the country on a B-2 Visa.

- The visa type of this individual DOES allow for receipt of a living allowance, but the documentation (offer letter) does not reference a living allowance.
- The department can rewrite the offer letter and add the living allowance information.
- With submission of the following documents, the payment can be made:
 - Revised Offer Letter
 - Payee Certification form
 - Glacier Packet and Required Documents listed
 - If the payment is to be recurring, include the recurring Direct Invoice Voucher
- A Substitute W-9 is NOT needed

Types of Personal Payments Continued

Reimbursement of Expenses – May be taxable income, depending on employment status, timing of submitting expenses, or business purpose, student benefit for education

- Business Purpose: To allow persons to defray cost of materials, travel, etc.. Often, the payment is not a true reimbursement, but a payment for an award, travel grant, request/proposal, etc.
- Typical Payees – Employees: Staff, faculty, students, Non-employees: Visitors/others coming to campus to collaborate or provide services, Student-related travel
- Typical Documentation Required – Employee: Receipts and business purpose.
- Non-employee: PC Form, receipts, purpose. If international non-employee, Glacier required.
- IRS Accountable Plan considerations: <https://www.purdue.edu/hr/buspur/nonemppay/taxablepayments.php>

Honorarium – Always Taxable Income

- Business Purpose: Non-service payment made to a speaker or lecturer as a "thank you" and gesture of appreciation.
- Typical Payees – University visitors who are not paid for a service.
- Typical Documentation Required: PC Form, Glacier required if International payee. See link for Honorarium allowed by Visa type

Types of Personal Payments Continued

Consulting/Independent Contractor Payments

Business Purpose: Consulting payments are typically paid to non-Purdue employees providing services to the university. Unsure if the relationship requires a consulting agreement? Complete the consultant checklist found on the [Consulting Agreements SharePoint](#) site.

Consultants should not engage in any work or be paid for any services until a fully executed agreement is in place.

Statement of Work: Each consulting agreement requires a Statement of Work, where the deliverables for which a consultant will be responsible for are defined. As this agreement is a contractual obligation, the deliverables must be clearly and specifically stated and may not touch upon the University's core missions.

Typical Documentation:

- Domestic Payments: Payee Certification Form, consultant's invoice and a copy of the fully executed consulting agreement.
- Payments to foreign consultants physically located within the United States when performing services would require the same documentation plus either a W-8BEN-E (businesses) or Glacier documents (individuals). The Glacier Tax Summary Report will indicate correct forms for income type and copies of the required immigration documents to attach.

Additional consulting agreement process information: <https://www.purdue.edu/hr/buspur/nonemppay/consultper.php>

Miscellaneous Payments

(paid through Accounts Payable)

Non-service Fellowships - typically paid through payroll but occasionally paid through Accounts Payable

- Business Purpose: Payment for Living Expenses for students

Prizes & Awards – Payments to enrolled Purdue students paid through Financial Aid; Payments to Purdue employees paid through payroll; Non-Purdue students and others are typically paid through Accounts Payable.

- Business Purpose:
 - Award: achievement, performance or other criteria;
 - Prize: competition or other criteria

Non-service Scholarships – Purdue students are paid through Financial Aid

- Business Purpose: Payment based on academic achievement or other criteria that may include financial need.
- Typical payees – can be to any individual

Other Details:

Typical Documentation: PC Form, supporting documentation, Glacier documentation required for internationals.

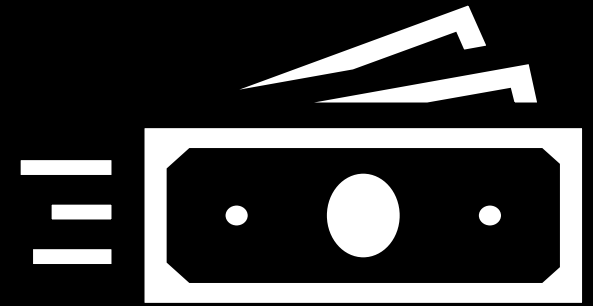
Taxability: Generally taxable; limited exceptions for Scholarship and Fellowship funds.

Additional Information: <https://www.purdue.edu/treasurer/finance/controller/accounting-services/reference-resources/>

Payment Methods

Wire Transfers – This is a method of payment, not a type of payment.

- Taxability: Using this method of payment does not impact the taxability of the payment.
- Business Purpose: this method is frequently used for international payees
- Typical Payees – International payees (persons or companies)
- Typical Documentation Required:
 - Specific payment information
 - PC Form
 - Bank Verification Form
 - Wire Transfer Request Form
 - Glacier required if services/work performed in the US.
 - W-8BEN-E for foreign companies working in the US.



Payment Methods for Entities (more detail can be found in AP 101/ZV60 training)

- University Checks / Direct Deposit / ACH
- Ariba or Credit Cards cannot be used for personal payments

International Payments

- International (foreign) persons and companies have separate income taxation and reporting, as well as tax filing forms, etc. These are not the same requirements as US citizens and Lawful Permanent Residents (PR) and companies based in the US.
- Most all immigration statuses have restrictions for types of payments allowed to receive, time allowed in the US, location of services, and income reporting. (This also includes employment.)
- Visa restrictions bar payments for services/work to International Students (F1 and J1) OUTSIDE of payroll.
- Payments can be made to persons and companies without a US Tax ID (SSN, ITIN or EIN).
- Special tax benefits of reduced withholding are based on immigration/Visa type, type of payment, country of citizenship and residence, US Tax ID or not.
- All tax determinations for tax withholding and reporting, treaty benefits, and forms required are administered in Purdue's Glacier database. The Central Tax group reviews all Glacier entries for accuracy and payment types.

Why are payments to international individuals so carefully documented and so closely monitored?

Basic Rules Applicable for all International Personal Payments

All withholding agents (aka Purdue University) MUST withhold federal income tax from ALL income payments made to or on behalf of a foreign person or company.

(Section 1441 of the Internal Revenue Code)

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.

(Section 1461 of the Internal Revenue Code)

Source: ARCTIC International Payment Entities

When is Glacier Documentation Required?

WHAT TYPES OF PAYMENTS ARE "INCOME"?

Compensation

Dependent

Wages / Salary / Stipend Taxable / Treaty Exempt
Travel Reimbursement / Payment "Accountable Plan"

Independent

Consulting / Honoraria / Guest Speaker Fee Taxable / Treaty Exempt
Travel Reimbursement / Payment "Accountable Plan"

Scholarships/Fellowships

Tuition / Fees/ Book Allowance Excluded under section 117
Room / Board Taxable / Treaty Exempt
Stipend / Per Diem/ Living Allowance Taxable / Treaty Exempt
Travel Reimbursement / Payment Taxable / Treaty Exempt

Royalties/License Fees

Taxable / Treaty Rate

Other Income

Prizes/Awards Taxable
Human Subject Participant Fees Taxable

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Glacier is required when any foreign person in the US or company receives a payment from Purdue. Not knowing what payment the person is receiving, Tax requires it.

Other taxable payments requiring Glacier, even if the foreign person or company is not in the US include Royalties and License fees or subscriptions of software.

Get the Facts First

Are you pursuing the right type of payment?

*Do you have the appropriate
documentation?*

What are the key facts surrounding the payment?

What is the payee's U.S. Tax Residency status?

What type of payment is being made?

What is the funding source of the payment and is the payment allowable on that source?

Is the payment subject to tax withholding? If yes, does it need to be "grossed up?"

What documentation is needed to support the payment?

Is the payment information consistent across all documentation ?



Keep Your Payment on the Right Road

Common Errors:

- If submitting forms from vendor with an electronic signature, make sure it is an authenticated signature.
- When paying in foreign currency, the conversion documentation is not included.
- Department or Payee does not want to include required information (Glacier documents, I-94, US Visa, etc.) and creates a “work around.” Creates confusion and delay and work around can put university at risk.
 - IRS requires university to pay the person who did the work, not a third party.
 - Paying a US Agent with a Central Withholding Agreement (foreign performers) is an exception for artist/performer tax withholding.
- Payment to international payee may be lower than expected due To the required 30% federal tax withholding.
 - Department should consider grossing up amount;
 - Payments to foreign entities requires W-8BEN-E;
 - Payment not eligible for treaty benefits (Glacier still required to determine tax withholding).
- Trying to pay individual on unallowable Visa type.
- New Vendor / Vendor not set up correctly



Keep Your Payment on the Right Road

Common PC Form Errors:

- **Vague details for purpose of payment (reimbursement or travel). "Stipend" is not a payment type. Be specific!**
- **Form is missing specific details for each line item.**
- **Mismatched names, payment not classified correctly, payment type on Glacier forms incorrect;**
- **Box for "Paid by Purdue Before" not marked correctly (more than one payment per calendar year often requires consulting agreement).**
- **Work completed outside of US needs to be identified to ensure full review and reporting. Check the box, please.**
- **Entries on Forms do not match tax entity on Sub W-9 or Glacier documents.**



Case Study #2

A faculty member has an IRB protocol for Human Subjects and wants to give out \$20 Amazon gift cards.

Each patient will receive \$20 for each visit (each patient will be appointed three visits) and they aim for 40 patients.

Is this allowable and what documentation is needed?



Case Study #2

Resolution

If the protocol has been approved by the Institutional Review Board (IRB) for the Human Subjects activity, researchers can pay their human subjects with a gift card.

It is recommended that the protocol include reference to the payment method.

The gift cards are under \$100 so the following process can be followed.

- Identify the number of cards needed (estimate on low side to avoid having excess cards).
- Cards can be purchased on a Purchasing card.
- Since individuals are being paid, the university requires tracking of who received the payment and how much was received to help determine taxability. Researchers should be provided a [Human Subjects Receipt Log](#) developed for this purpose.
- Best Practice: payment request documentation should reference securing the cards.
- Additional information can be found on the [Human Subjects](#) website.

Vendor Set Up Requirements

Accounts Payable website has LOTS of helpful information on the vendor set-up process:

<https://www.purdue.edu/treasurer/finance/operations/accounts-payable/resources/>

- New Vendor Request

- [New ZDIR Non-PO Vendor](#)
- [New ZEMP Employee Vendor](#)
- [New ZRMT Remit Vendor](#)

- Change Vendor Request

- [Change ZDIR Non-PO Vendor](#)
- [Change ZEMP Employee Vendor](#)
- [Change ZRMT Remit Vendor](#)

- Vendor Set-up Tips & Tricks

- Unique Situations – estate payments, insurance payments, legal payments
- Documentation Exceptions – insurance payments, some legal payments, athlete (summer room & board) payments, human subject payments

Vendor Set Up Forms

W-9

Typically used when a person or entity is required to report certain types of income; helps businesses obtain important information from payees to prepare information returns for the IRS.

Substitute W-9: typically used when an entity does not have a W-9; serves the same purpose as a W-9

Purdue's Sub W-9 has additional information to collect:

1. Citizenship
2. Tax reporting and coding of payments (for US and international)
3. Purdue Related Disclosure information
4. Payment method information, including banking details

**The IRS W-9 does not have any information for #1 , #2 for any international consideration, or #3 and #4.

Banking Verification

Bank verification ensures the accuracy of the banking information provided by the vendor and the essential process for protecting the University from fraud is met. The verification must be completed by a purchasing center team member and done via a phone or conference call.

One Time Vendor Payments

Requirements for use of One-Time Vendor Payment process to individuals:

- The vendor for the payment does not already exist (i.e. have a BP #) in SAP
- There are no known additional payments expected to the vendor or planned future payment – NO TAX IMPLICATIONS INVOLVED
- The payment to the vendor meets the criteria already established and approved for the OTV process:
 - Refunds from North Central Nursing Clinic
 - Refunds to Customers of the Vet Hospital
 - Refunds of Indiana State Chemist fees
 - NEW: Travel expense reimbursement for non-employees - [cannot be used if payments for services are included](#)
 - Prospective Employees Travel Reimbursements - [this only applies in reimbursing the prospective employee and does not include another person\(s\) traveling with prospective employee; requires form 17C](#)
 - Purdue Fort Wayne Student Organizations
 - Athletic Summer Room/Board payment
 - Refunds of Scholarship Funds from Bursar offices
 - Purdue Event Cancellation – Customer refunds
 - If due to COVID, specify on the spreadsheet that it is a COVID refund
 - Event registration refunds
 - If due to COVID, specify on the spreadsheet that it is a COVID refund
 - Capstone in Nursing Project Supply Reimbursement

[One-Time Vendor Process - QRG](#)

Fraud Prevention: Be Prepared

The Best Defense is a Good Offense!



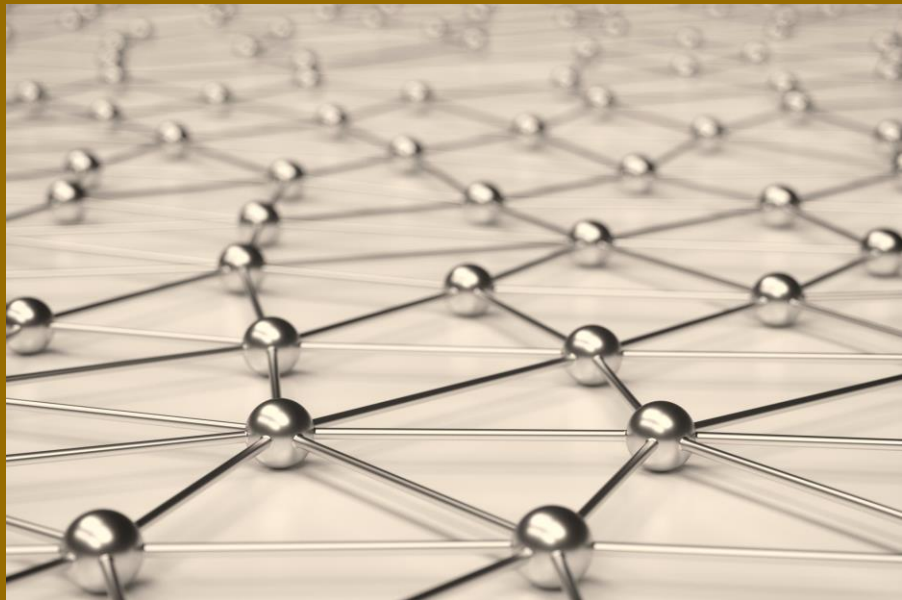
- Be Alert for Fraud Attempts
 - Always validate changes in pay instructions using PURDUE records.
 - Beware of lookalike domains or emails that appear legitimate.
- Utilize Internal Controls - follow procedures!
- Watch for Red Flags
 - Consumer Agency Alerts
 - Suspicious documents
 - Suspicious Personally Identifiable Information
 - Unusual Account Activity
- Be Aware of Common Cyber Threats
- Use current login procedures (MFA).
 - Directly verify all requests with the individual / contact on file in SAP.
 - Be on alert for questionable links, verbiage or action buttons.
- Periodically review Secure Purdue [Cybersecurity](#) resources to learn about recent threats.
- If something doesn't look right and you aren't sure how to proceed, ask others!

Additional Fraud Prevention Tips

- DEFENSE: Share your concerns with others. Elevate to supervisors and other leaders.
 - Periodically review Secure Purdue [Cybersecurity](#) resources to learn about recent threats.
 - Review additional tips to the right.
- Suspicious documents (documentation inconsistent with what we have on file, identification documents look suspicious) I.E., Grammatical errors, a change in an email address or mailing address, urgency to make a change, an immediate change in banking, a signature on a document is not quite the same as a previously signed document, or an invoice looks odd – different format, address, etc. (compare it to prior invoices on the vendor's record)
 - Suspicious Personally Identifiable Information (information inconsistent, EIN/SSN matches other accounts, information doesn't match external sources such as address) , the name on the tax form does not match the name on the bank account)
 - Unusual Account Activity (returned mail/ACH return from an active account, notification of unauthorized charges, vendor advising they did not receive their payment, individual asking for prior payment dates and amounts of those payments)
 - Consumer Notifications (notices from customers, victims of identify theft, law enforcement)

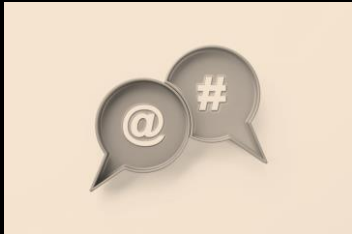
Connecting The Dots

Personal Payments Resources

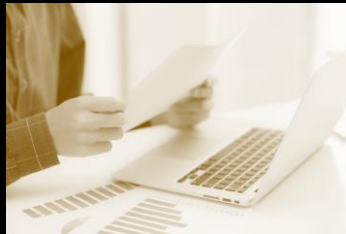


- Training Resources:
 - Identity Theft Red Flag Training (LMS #28009)
 - AP 101 / ZV60 Training (LMS #25006) contains guidelines for payments to entities (nonperson specific)
 - Fraud Prevention: Protecting Purdue, Protecting You Training (LMS #81004)
 - Secure Purdue [Cybersecurity Awareness](#)
- SharePoint/Websites
 - [Business Management Glacier Admin for Non-Payroll Paid Foreign Persons](#)
 - [Consulting Agreements SharePoint site](#)
 - [Definitions of Award, Prize, Scholarship and Grant](#)
 - [Personal Payments Information \(Non-Employee Pay\)](#)
- Key Communications and Contacts
 - [Accounts Payable and Electronic Signatures](#) (September 2023 The Bottom Line)
 - [Authenticated Electronic Signature Acceptance](#) (September 2023 B@P)
 - Email respective groups with questions (tax@purdue.edu, ap@purdue.edu, vendordata@purdue.edu)

Tips for a Worry-Free Process



Communicate Proactively with your Customers



Use the Correct Back Up Documentation
See QRG on Resources Slide



Ensure all Approvals are in Place / Funding Sources are Valid



Payee Information is Correct and Appropriate



Relax Knowing You Got it Right!

Questions?

[Personal Payments Website](#)

Tax Office: tax@purdue.edu

Accounts Payable: ap@purdue.edu

[Purchasing Center Directory](#)

