Taxation and Reporting for Non-Salary Payments Procedure

Effective Date: August 15, 2016

Function: Payment Taxation Compliance

Contact: rffinance@rfsuny.org

Basis for Procedure

The Research Foundation for SUNY ("RF") ensures that "Non-Salary" taxable payments to the following individuals are reported and taxed according to Internal Revenue Service ("IRS") rules:

- RF Employees
- SUNY Employees

Procedure Summary

This procedure describes the steps needed to ensure that Non Salary Payments are properly documented, taxed and/or reported.

Procedure Steps

Identifying the Taxable Benefit and Recipient

Step	Role or Responsibility	References or Tips
Identify benefits planned, paid or provided that represent Non-Salary Payments. - Call or send questions to payroll@rfsuny.org if you still need help with determinations.	Operating Location	Refer to the "Taxation and Reporting for Non-Salary Payments – Guidance" document. Refer to the "Business Expenditures and Personal Use" section of this document
Complete the "Non-Salary Payment Determinations" form and establish if taxable and/or reportable and document the circumstances.	Operating Location	Use of form: - Required when amounts are taxable and / or reportable - To document exempt or excluded amounts when no other RF form or documentation exists Example: You would not use this form for substantiated business travel or IRS moving expenses reimbursements since other supporting RF forms exist.
Document the amount or Fair Market Value.	Operating Location	Refer to the Fair Market Value section of this document.
If the payment is not taxable and/or reportable, proceed with the payment and retain the documentation with the payment information.	Operating Location	
If the payment is taxable and/or reportable, provide the completed form: **- RF Employees** – to the appropriate RF payroll staff at your location for processing	Operating Location Payment Staff	- Refer to the "Processing for RF Employees" section of this document for RF employees. - Refer to the "Processing for SUNY Employees"

		section of this document for SUNY employees.
- SUNY Employees – to RF central office at payroll@rfsuny.org for processing		

Processing for RF Employees

Step	Role or Responsibility	References or Tips
Log in to Oracle.	Operating Location Payroll Staff	Refer to the process help document for entering a nonrecurring earnings or deduction element for assistance.
Direct Payments - Open the individual's **People** form. - Click the **Assignment** button to open the **Assignment** form. - Click the **Entries** button to open the **Element Entries** form. - Add the "**Misc Inc Direct**" element to the individual's record. - Click **Entries** to open the **Entry Values** form. - Enter the amount and select the reason for the payment from the list of values.		Direct Payments - Payments or benefits identified and paid through the RF payroll system.
Non-Direct Payments - Open the individual's **People** form. - Click the **Assignment** button to open the **Assignment** form. - Click the Entries button to open the Element Entries form. - Add the "**Misc Imputed Inc**" element to the individual's record. - Click **Entries** to open the **Entry Values** form. - Enter the amount and select the reason for the payment from the list of values		Non-Direct Payments – Taxable payments or benefits provided outside the RF payroll system such as through the RF accounts payable system or from a vendor.
Note: The above instructions also apply to Non-Resident Aliens for tax purposes.		

Processing for SUNY Employees

Step	Role or Responsibility	References or Tips
Call the RF central office when this activity is identified if you need additional guidance.	Operating Location	Send questions to payroll@rfsuny.org or contact the Payment Compliance Manager for further assistance
Discuss with the appropriate SUNY HR office staff to ensure that: - SUNY policy and procedures are followed. - The miscellaneous payment or benefit is consistent with sponsor requirements, is approval by the appropriate SUNY and sponsored programs staff to process.	Operating Location	SUNY is a separate employer and processing should be reviewed first as consistent with SUNY policies, procedures and practices. Refer to the Taxation and Reporting for Non-Salary Payments – Policy. For more information on the Ethics laws, see the SUNY Compliance website.
Ensure you collected the basic information needed to	Operating Location	The RF needs required information for year-end W-2

add the SUNY employee to Oracle on the [Non-Salary Payment Determinations form](#).		reporting, such as a social security number (SSN).
Send a copy of the [Non-Salary Payment Determinations form](#) to the RF's central office at payroll@rfsuny.org.	Operating Location	As the office of record you keep original backup at your location
Central office payroll reviews the Oracle payroll records to determine if the individual is a previous RF employee: - If yes – Central Office establishes the assignment with a "term process pending" status. - If no – continue to next step.	Central Office payroll	
Set up a SUNY **biweekly assignment** or continue with the RF assignment in "term process pending" status	Central Office payroll	IMPORTANT - A SUNY biweekly assignment is for Non-RF Non-Salary Payment activity and should not to be confused with SUNY monthly Income Fund Reimbursements ("IFR".)
Direct Payment: - Open the individual's **People** form. - Click the **Assignment** button to open the **Assignment** form. - Click the **Entries** button to open the **Element Entries** form. - Add the "**Non RF Misc Inc Direct**" element to the individual's record. - Click **Entries** to open the **Entry Values** form. - Enter the amount and select reason for the payment from the list of values. - Ensure the SS and Medicare tax is set for withholding. - For RF "term process pending" assignments ensure the income taxes are set to exempt. - Forward a copy of the form to the central office award monitoring team for final action. **Non-Direct Payment**: - Open the individual's **People** form. - Click the **Assignment** button to open the **Assignment** form. - Click the **Entries** button to open the **Element Entries** form. - Add the "**Non RF Misc Imp**" element to the individual's record. - Add the associated deduction element. - Click **Entries** to open the **Entry Values** form.	Central Office payroll Central Office payroll	Direct Payments – Taxable Payments or benefits identified and paid through the RF payroll system. **Important note**: Different elements exist for moving expense reimbursements as there are special rules for this type of activity. Non-Direct Payments – Taxable payments or benefits provided outside the RF payroll system such as from a vendor. **Important notes**: - Different elements exist for moving expense reimbursements as there are special rules for this type of activity. - This is a transaction to record taxable or reportable non salary payments or benefits. Since it was extended through a 3rd party, and not RF systems, SS and Medicare must also be part of gross. This solution also requires the grant to be charged for full employee and employer share of SS and Medicare.

- Enter the amount and select reason for the payment from the list of values. - Ensure the SS and Medicare tax is set for withholding. - For RF "term process pending" assignments ensure the income taxes are set to exempt. - Run a Quick pay to test for a net effect of $ 0.00 - Forward a copy of the form to central office award monitoring team for final action.		

Business Expenditures and Personal Use

When amounts or values are provided for business purposes, but could also lead to personal use (e.g. company car, club dues), the cost or value of the portion that is personal use must be calculated as a taxable benefit. Documentation must identify

- Date
- Description of use
- Attendees or participants
  What portion was business or personal

  The taxable portion must be paid or provided as set forth in these policy and procedures, unless the individual agrees to pay back the RF for the assigned value

  Fair Market Value

  Operating Locations will need to determine the Fair Market Value or the amount subject to tax and reporting rules if a dollar value is not assigned to Non-Salary Payment. Fair Market Value (FMV) is the amount a willing buyer would pay to an unrelated willing seller where neither one is forced to conduct the transaction and both have reasonable knowledge of the facts.

  Campuses can determine FMV by researching similar products to come up with an estimated value. In some cases campuses might need to determine the FMV for portions or allocations of costs or services received by the employee.

  Monitoring Non-Salary Payments

  The RF considers it a best practice to properly classify payments as taxable and/or reportable prior to making the payment. However, there are times when a determination is made after the payment occurred. Campuses should monitor accounts payable payments to employees:

- Run the "AP_RF Employee Payments for a time frame" from the RF Report Center to:
    - Find selected payments to RF and SUNY employees
    - Review invoice descriptions and expenditure types that could indicate taxable and/or reportable income.
    - Take the appropriate action if the above review yields payments that are taxable and/or reportable.
- Periodically review petty cash disbursements for taxable and/or reportable payments.
  Operating location should encourage staff to provide payment description language that identifies the business connection for the payment to make it easier to review payments. The RF suggests monitoring on a monthly basis but no later than quarterly, as your campus deems necessary.

Definitions

Employee- an individual engaged to provide services to an organization where the organization controls what services are performed and how they are performed.

Direct Payments- Payments or benefits identified and paid through the RF payroll system.

Non-Direct Payments– Taxable payments or benefits provided outside the RF payroll system such as through the RF accounts payable system or from a vendor.

Non-resident Alien (NRA)- IRS residency status for tax purposes that includes non-U.S. citizens that are not resident aliens.

Non-Salary Payments– Amounts paid or provided and generally processed outside the biweekly payroll process.

Reportable– Income required to be reported to the IRS on a year-end tax statement.

U.S. Citizen or "Resident Alien"- IRS residency status for tax purposes which includes US Citizens and non US Citizens that are Permanent Residents (Green Card) or a Resident Alien (meeting the Substantial Presence Test).

Related Information
RF

[Non-Salary Payments Policy](#)

[Taxation and Reporting for Non-Salary Payments Guidance](#)

[Compensation Reporting Guidelines](#)

[Human Subject Payments](#)

[Establishing and Maintaining Campus Bank Accounts and Petty Cash Funds](#)

[Unrestricted Fund Expense Policy](#)

Forms
[Non-Salary Payments Determinations](#)

Change History

Date	Summary of Change
January 26, 2022	Updates to links & contact information
August 15, 2016	New procedure.