

# University of Utah

## Tax Services & Payroll Accounting

### Tax Overview

Presented by:

Kelly Peterson, CPA

Tax Manager

Tax Services website: [www.tax.utah.edu](http://www.tax.utah.edu)

Phone: 581-6699

Email: [Kelly.Peterson@admin.utah.edu](mailto:Kelly.Peterson@admin.utah.edu)

# Tax Services & Payroll Accounting Mission Statement:

***Provide the University with excellent customer service with respect to tax services and payroll accounting including compliance, tax research, strategy, planning and accounting.***

# Who we serve

- University Departments in regards to:
  - University Sales Tax Policies & Procedures
  - Unrelated Business Income
- University Payroll Reporters in regards to Federal and State tax compliance for the following:
  - Form W-4 submission questions
  - Gift Card reporting
  - Irregular payments **not** through the Payroll Department (for guest lecturers, honorariums, contractors, etc.)
  - Moving Expenses
  - Non-Resident Alien payments, which includes
    - Wages
    - Scholarship Fellowship payments

## Who we serve (continued)

- University Employees in regards to:
  - Federal, State & FICA Tax Withholding procedures
  - Form W-2 inquiries
  - Form W-4 inquiries
  - Garnishment procedures & policies
  - Inquiries regarding the following Employee Contribution-Non-Benefit Payroll Deductions:
    - Actor's Equity Association
    - AFSCME Union Dues
    - Faculty Club
    - Student Loans
    - UT Public Employee Association
    - Development Fund
    - United Fund
  - Student FICA Tax Exemption Status

## Who we serve (continued)

- University Non-Resident Employees in regards to:
  - Federal, State & Social Security Tax Withholding procedures
  - Foreign Tax Treaty inquiries
  - Residential Tax Status
  - Temporary Working ID
  - Form 1042-S inquiries
- Other Individuals & Companies in regards to:
  - Form 1098-T general information inquiries
  - Form 1099 inquiries
  - Garnishments
  - University's Form W-9
  - University's Tax Exemption Status

## Important notification

#1 – Tax Services & Payroll Accounting manages Federal and State tax compliance for the University of Utah, not for individual employees.

#2 – If you think you may have a University tax issue and you are not sure what to do, call Tax Services (1-3428).

# Tax & Payroll Accounting issues you may face regularly

- Employee Awards
- Employee Education Benefits
- Federal, State & Social Security Tax Withholding
- Garnishments
- Non-Resident Alien Payments
- Employee Contribution – Non-Benefit Payroll Deductions
- Sales Tax
- Tax Forms
- Unrelated Business Income Tax

# Employee awards

- All Payments to Employees are Wages Subject to Tax Reporting and Withholding (including cash, gift certificates, etc.)
  - Exceptions include:
    - Occasional tangible gifts valued at or under \$75.00
    - Occasional sporting, movie or theater tickets
    - Five year interval service awards
    - Retirement gifts (contact Benefits for dollar limitations)
  - Gift Certificate Procedure (reportable as compensation):
    - Report all gift certificates to Payroll Accounting before the last business day of the month
    - Gifts certificates distributed during the calendar year must be reported on/before December 5<sup>th</sup>, if not reported monthly
    - Departments will be charged a \$12 processing fee for each gift certificate reported after the deadline



## Employee Education Benefits

- Employee Tuition Reduction education benefits must meet criteria in order to be tax free
  - Undergraduate Tuition Reduction is non-taxable
  - Undergraduate Spouse, Dependents Tuition Reduction is non-taxable
  - Graduate TAs & RAs Tuition benefit is non-taxable, employee only
  - Graduate tuition reduction for first \$5,250 per year is non-taxable, employee only
- Employers can pay employee's education expenses tax free as a working condition fringe benefit if
  - The education is directly related to the employee's current job
  - The education will maintain or improve skills of an employee for their current job, or
  - Meets the requirements of the employer, law, or regulations imposed as a condition of retention of current salary status or employment.

# Federal, State Tax & FICA Withholding

- Federal Tax Withholding:
  - Calculated off IRS Tax Tables based on employees W4 Forms
    - W-4 Forms – submit online using University CIS, or complete W-4, available on our website, and deliver to our office
    - W4 Forms received by Tax Services before/on the last business day of the pay period will take effect on the corresponding paycheck
    - W4 Forms received without the employee's Name, Social Security Number, or Signature will **not** be processed
    - Incomplete W4 Forms will default to:
      - Box 3, Filing Status: Single
      - Box 5, Number of Allowances: 0
      - Box 6, Additional amount withheld: \$0
      - Box 7 (claim Exempt): NOT exempt, box is blank

## Federal, state & FICA Tax Withholding (continued)

- State Tax Withholding:
  - Calculated off UT State Tax Commission Tax Tables based on employees W4 Forms
    - The **same** W4 form will be applied to both Federal & State withholdings
    - Box 6 Additional Withholding on the W4 Form **only** applies to Federal tax
    - The Utah Supplementary Tax Withholding Form must be submitted in order to claim an additional withholding for State tax
- FICA Withholding:
  - Social Security (OASDI) Tax Withholding (appears as FICA on paycheck)
    - Withheld at a fixed rate of 6.2% until OASDI max is met
      - (2015 max \$118,500)
  - Medicare Tax Withholding (appears as FICA-MEDHI on paycheck)
    - Withheld at a fixed rate of 1.45%
    - Additional Medicare Tax if exceed \$200,000 wages, withheld at a fixed rate of .9%

# Garnishments

- Garnishing Agencies
  - Garnishments received before/on the last business day of the pay period will take effect on the corresponding paycheck
    - Pay period ending on the 15<sup>th</sup> is paid on the 22<sup>nd</sup> of the same month
    - Pay period ending on the last day of the month is paid on the 7<sup>th</sup> of the next month
  - Garnishment releases must be received before/on the last business day of the pay period in order to take effect on the corresponding paycheck
- Garnished Employees
  - Questions regarding the actual garnishment should be directed to the Garnishing Agency
  - Questions regarding University garnishment policies should be directed to the Tax Services Garnishment Accountant
    - University is required to begin Garnishments immediately after receipt

# Non-Resident Alien Payments

---

**All Non-Resident Aliens working for the University of Utah must make an appointment with Tax Services to complete required tax paperwork**

---

- Non-Resident Alien payments are unique depending on:
  - Payment type: scholarship, fellowship, wages, independent contractor
  - Visa type: F1, J1, H1 or other
  - The specifics of the income tax treaty, if applicable (not all countries have a tax treaty with the USA)
  - And other variables
- Non-Resident Alien FICA Exemption
  - Generally F1 & J1 employees are exempt from FICA taxes
  - FICA exception will not be granted until paperwork is completed
  - NRA FICA exemption no longer applies after NRAs become USA residents for tax purposes only

## Non-Resident Alien Payments (continued)

---

**Non-Resident payments are complex & must be handled through Tax Services. We are always available for consultation if you need assistance**

---

- Non-Resident Alien Federal and State Income Taxes
  - Taxes must be withheld on prizes or awards
  - Taxes must be withheld on the following, unless a treaty exemption applies
    - NRA scholarships or fellowship payments
    - Honorariums or service payments
    - Payroll wages

# Employee Contribution-Non-Benefit Payroll Deductions

- Contact Tax Services regarding requests to begin or end any of the following Employee Contributions-Non-Benefit Payroll Deductions
- Different Types of Employee Contribution-Non-Benefit Payroll Deductions:
  - ACTREQ – Actor's Equity Association
  - AFSCME Union Dues
  - COMMHC – United Fund, United Way
  - Development Fund
  - Faculty Club
  - Student Loans
  - UPEADD – UT Public Employee Association

# Sales Tax

---

“Sale” is any transfer of title, exchange, or barter of tangible personal property or any other taxable item or service for consideration, within the state of Utah

Sales tax is a transaction tax applied to retail sales and leases of tangible personal property, products transferred electronically, and certain services.

---

- Sales Tax applies only to selected services including:
  - Admissions; Utilities; Accommodations; Cleaning or Washing Tangible Property; Installation of Tangible Property; Renovation services; Repair Services; and Sales of Meals
  - Sales are exempt from Utah sales tax if the purchase is made with University funds & if the purchaser presents the completed Utah State Exemption Certificate to the seller



## Sales Tax (continued)

- Sales Tax TO the U of U
  - Sales are exempt from Utah sales tax if the purchase is made with University funds & if the purchaser presents the completed Utah State Exemption Certificate to the seller
  - Contact Tax Services for more sales tax exemption information if your department is making a purchase from another state
  - **Exception:** Lodging is subject to sales tax and paid at point of sale, then a claim for refund is filed quarterly by Tax Services/Payroll Accounting Dept.

## Sales Tax (continued)

---

### University of Utah Must Collect Sales Tax

The University, as a vendor, is responsible for collecting tax and remitting it to the state

---

- Sales Tax FROM the U of U
  - Sales are exempt only if the purchaser presents a valid Utah State Exemption Certificate at the time of the purchase
  - All sales, both non-exempt & exempt sales, must be included on the General Accounting Monthly Sales Tax Report which is due to General Accounting by the 15<sup>th</sup> of the month following the sales month

# Sales Tax (continued)

Detailed sales tax training is provided on the Tax Services website [www.tax.utah.edu](http://www.tax.utah.edu)

# University Tax Forms

- Employee Tax Forms:
  - W-2 Forms – available by January 31<sup>st</sup> of the following tax year or **earlier if consent to receive W-2 electronically**
    - **Benefits of receiving W-2 electronically:**
      - *Employees will be able to access the W-2 earlier, because they will not have to wait for the form to be delivered in the mail.*
      - *Employee's sensitive personal information will not be sent through the mail.*
      - *Green – natural resources are saved by not printing and mailing W-2 forms*
      - *Budget – Savings – In these tight budgetary times, this will have a positive impact on the budget of the University*
    - If do not consent to receive W-2 electronically then the W-2 is:
      - Mailed to employee's department if the employee is active
      - Mailed to employee's last known address if the employee is terminated
      - All current and former employees have access to print their current year and prior year W-2 forms online

# University Tax Forms (continued)

- Employee Tax Forms (continued):
  - Other employee tax forms include:
    - UT Supplementary Tax Withholding Form, 1099-MISC, 1042-S, 1098-T (students), and others
- Department Tax Forms:
  - Utah Sales Tax Exemption Certificate – available on our website
  - Other State Sales Tax Exemption Certificates – look on our website or contact Tax Services for more information

# Unrelated business income tax

- What is considered UBI
  - UBI is the gross income (minus direct expenses) that is earned by an exempt organization from an activity which satisfies all of the following:
    - The activity is a trade or business
    - The trade or business is regularly carried on
    - The trade or business is not substantially related to the organization's exempt purpose (University's Mission)
      - An activity will not be considered substantially related to exempt functions merely because the profits from the activity are used by the organization to support its exempt activities
- Statutory Exceptions to UBI
  - Royalties, Capital Gains Transactions, Interest and Dividends, Donated goods exception, Convenience Exception, Research, Rental Exception

## Unrelated business income tax (continued)

- UBIT Reporting
  - Information of UBI activity income and expenses must be received by Tax Services before/on August 15<sup>th</sup>
  - If you have questions regarding UBI activities, Tax Services may help research the following:
    - Look for UBI exceptions and document applicability
    - Help you understand your budget on the activity, what is potential tax affect
    - Review model contracts to look for ways to reduce UBI

# Summary

- Remember deadlines:
  - Employee Gift Certificates should be reported monthly, but all calendar year gift certificates and gifts that are taxable must be reported by December 5<sup>th</sup> to avoid \$12 processing fee
  - Sales Tax Monthly Reports due by the 15<sup>th</sup> of the following month
  - UBI reporting for the fiscal year due by September 15<sup>th</sup>
- Tax Forms:
  - W-4 Forms must be submitted online or sent to Tax Services (411 Park)
  - W-2 Forms will be accessible by the January 31<sup>st</sup> or earlier if electronic
  - 1042-S Forms will be available by March 15<sup>th</sup>
  - 1099-MISC Forms are distributed by January 31<sup>st</sup>
- Other University Tax Questions?
  - Visit our website at: [www.tax.utah.edu](http://www.tax.utah.edu)
  - Call: 801-581-3428
  - Fax: 801-587-9855
  - Mail: Tax Services & Payroll Accounting  
201 South President's Circle, Rm 411  
Salt Lake City, Utah 84112