University of Utah
Tax Services & Payroll Accounting
Tax Overview

Presented by:
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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 5th, if not reported monthly
    - Departments will be charged a $12 processing fee for each gift certificate reported after the deadline

Visit Tax Services & Payroll Accounting website for more information
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.

Visit Tax Services & Payroll Accounting website for more information
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

Visit Tax Services & Payroll Accounting website for more information
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%

Visit Tax Services & Payroll Accounting website for more information
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 15th is paid on the 22nd of the same month
    • Pay period ending on the last day of the month is paid on the 7th 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

Visit Tax Services & Payroll Accounting website for more information
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

Visit Tax Services & Payroll Accounting website for more information.
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

Visit Tax Services & Payroll Accounting website for more information
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

Visit Tax Services & Payroll Accounting website for more information
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

Visit Tax Services & Payroll Accounting website for more information.
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.

Visit Tax Services & Payroll Accounting website for more information
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 15th of the month following the sales month

Visit Tax Services & Payroll Accounting website for more information
Sales Tax (continued)

Detailed sales tax training is provided on the Tax Services website www.tax.utah.edu
University Tax Forms

• Employee Tax Forms:
  – W-2 Forms – available by January 31st 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

Visit Tax Services & Payroll Accounting website for more information
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

Visit Tax Services & Payroll Accounting website for more information
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

Visit Tax Services & Payroll Accounting website for more information
Unrelated business income tax (continued)

• UBIT Reporting
  – Information of UBI activity income and expenses must be received by Tax Services before/on August 15th
  – 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 5th to avoid $12 processing fee
  – Sales Tax Monthly Reports due by the 15th of the following month
  – UBI reporting for the fiscal year due by September 15th

• Tax Forms:
  – W-4 Forms must be submitted on online or sent to Tax Services (411 Park)
  – W-2 Forms will be accessible by the January 31st or earlier if electronic
  – 1042-S Forms will be available by March 15th
  – 1099-MISC Forms are distributed by January 31st

• Other University Tax Questions?
  – Visit our website at: 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