

President's Engagement Prize 2020

Taxability and Reporting of Prizes and Awards

Presented by:
Corporate Tax, Compliance & Payroll

Disclaimer

The University is not permitted to provide personal tax advice. This presentation is an overview of what to expect. Any questions related to your personal tax liabilities and filing should be directed to a tax professional.

Disbursements and Use of Prize Funds

- Disbursed in two separate payments
 - June 2020
 - to cover July 2020 through December 2020 expenses
 - January 2021
 - to cover January 2021 through June 2021 expenses

- Use of funds
 - Project implementation expenses
 - Living expenses

Taxability and Reporting Requirements

US Citizens, Permanent Residents and Resident Aliens

- ✓ All prizes of \$600 or more are reportable by the University on Form 1099-MISC
 - Amount is subject to Federal Income Tax and potentially subject to State Income Tax reporting
 - Qualified Tuition Expenses are deductible and will reduce the amount of income tax you may have to pay
 - These expenses include tuition, fees and other related expenses for an eligible student
 - Non-qualified expenses are taxable
 - These expenses include room and board, insurance, medical expenses, transportation, and/or similar personal, living or family expenses
 - Payments will cross calendar years, so you will receive a 1099-MISC in 2021 for calendar 2020 payments and 2022 for calendar 2021 payments
- ✓ Recipient must complete a W-9 prior to disbursement of funds

Taxability and Reporting Requirements

Nonresident Aliens

- ✓ All prizes are reportable by the University on Form 1042-S
 - A nonresident alien is subject to US income tax only on certain income from sources within the US
 - Qualified Tuition Expenses are deductible and will reduce the amount of income tax you may have to pay
 - These expenses include tuition, fees and other related expenses for an eligible student
 - Non-qualified expenses are taxable
 - These expenses include room and board, insurance, medical expenses, transportation, and/or similar personal, living or family expenses
 - 30% tax withholding is required unless the individual qualifies for an income tax treaty exemption
 - Payments will cross calendar years, so you will receive a 1042-S in 2021 for calendar 2020 payments and 2022 for calendar 2021 payments
- ✓ Recipient must complete and provide the following forms and documents prior to disbursement of funds:
 - W-8BEN
 - Foreign National Information Form
 - I-94 document or stamp of entry in passport
 - Passport photo

Please note, prize may be subject to taxation in home country. Please consult a tax professional.

Other Tax Considerations

- **Consult with Legal Counsel and a Tax Advisor**
- **Obtain Federal Business Tax ID**
 - The IRS has announced ([IR-2019-58](#)) that applications for an employer identification number (EIN) must include a responsible party with a US Social Security number (SSN) or individual taxpayer identification number (ITIN), beginning May 13, 2019.
- **Determine Federal Tax Obligations**
 - Income Tax
 - Estimated Tax
 - Self-Employment Tax
 - Employment Tax
 - Excise Tax
- **Determine State Tax Obligations**
 - Sales and Use Taxes
 - Other State and Local Taxes
 - Business Licenses