



# ***Processing Commencement Prizes and Awards***

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# Learning Objectives

After completing this information session, you should be able to:

- Understand the differences between the most common types of income payments for fellowships, prizes, awards, and reimbursements (taxable and nontaxable) and Harvard's tax reporting and withholding requirements for each.
- Know how to find and leverage various resources.

# **Determining Payment Type**

# Classify the Payment Correctly

- It is important to classify an individual receiving income correctly to comply with Federal, State and Harvard requirements.
- Payment misclassifications can result in adverse tax consequences to the paying department and the individual, in addition to fines, penalties, attorney's fees, or risk to the individual's immigration status.
- Harvard departments are required to classify individuals based on the objective, specific facts and circumstances of the activities, position, and responsibilities.
- An individual's or department's convenience or preference **does not determine** the classification, which must be based on state and federal criteria and regulations.

# Incurring Expenses and Processing Payments

## **Who** are you paying?

Are you paying an entity/business or an individual?

- Is it a U.S. or foreign entity?
- Is the individual a U.S. Citizen/Permanent Resident or an International Payee?
- What is their tax residency and visa status?
- Is the individual entering the U.S.?

# Incurring Expenses and Processing Payments (page 2)

## **What type of payment are you making?**

Is the payment a qualified business expense reimbursement, compensation for services, honoraria payment, fellowship/grant/allowance (aka nonqualified reimbursement), payment for goods, prize/award, scholarship, or other?

- The type of payment will help determine what policies need to be followed and if the payment is reportable or taxable. Both individuals and entities may be subject to taxes.
- If payment to an individual, are they classified correctly and are they allowed to receive payment based on their visa status?

# Incurring Expenses and Processing Payments (page 3)

## **Where is the location of the activity relating to the payment?**

Where is the payment being used or activity occurring (inside U.S. or outside U.S.)?

- Are the goods or services being performed in the U.S.?
- Location of the activity drives the foreign source determination
- Does the individual have a PeopleSoft appointment? The appointment type may help in classifying the type of payment (service vs fellowship).

# Common Individual Payment Types

Payments may be subject to tax reporting and withholding requirements based on payment type, citizenship type, tax treaty status, activity location, etc. The most common payment types we will focus on are:

- Employment / Work / Service / Researcher
- Honoraria or Service Payments
- Human Subject Payments
- Nonqualified (Taxable) Scholarship/Fellowship/Reimbursements
- Prize or Award
- Qualified (Nontaxable) Business Expense Reimbursements

See [Common Income Payment Types Chart](#) for additional income types and processes.

# Common Individual Payment Types

Type	Definition	PR or NR?	Taxable?
Prize or Award	A gift for a task well done or a past accomplishment, i.e., writing the best essay, earnings the highest GPA	B2P – PR or PO	Yes
Nonqualified Fellowship (Stipend/Grant/Allowance or Nonqualified Reimbursement)	A payment to aid in an individual's pursuit of study or research. A fellowship may take the form of a travel award or allowance or taxable reimbursement for out-of-pocket expenses.  This is not related to performance of services on behalf of Harvard.	B2P – PR or PO  PeopleSoft	Yes
Qualified Fellowship (Scholarship for Tuition and Required Fees)	Payment for required tuition and fees for a degree program.	SIS Feed – Term Bill	No
Course Expenses	Some travel or other course expenses are nontaxable if: <ul style="list-style-type: none"> <li>• The travel or other expense is required as part of a course; and</li> <li>• The recipient is a registered degree candidate; and</li> <li>• The expenses are necessary in delivering the course and budgeted as part of the course cost.</li> </ul>	B2P – NR	No
Harvard Business Expense (Qualified Reimbursement)	Expenses may be reimbursed as University business expenses if a faculty member or another authorized Harvard employee determines that the expense is in <u>direct support</u> of University research or scholarship	B2P – NR	No
Employment or Work or Service or Researcher	Individual must preform an action or complete a deliverable in order to be paid. ----- Independent Contractor if meets the classification	PeopleSoft  B2P – PR or PO	Yes

**Prizes/Awards or Fellowships/Grants/Stipends**

# Prize / Award

An amount awarded in recognition of a **past** accomplishment or achievement.

Prizes are often given during commencement such as:

- Earning the highest GPA
- Winning a business plan competition
- Writing prize (best thesis)
- Award to undergraduate student for outstanding scholarly work or research

For Employees: Follow established recognition programs or the Harvard Gift and Celebratory Events policy.

# Fellowship/Grant/Allowance/Stipend

- May also be called a stipend, scholarship, award, allowance, travel grant, research grant, etc.
- Payment or other value (plane ticket or other expenses) to support an individual in pursuit of their own professional development, personal learning or scholarship.
- Harvard **should not make these payments directly** but issue the payment to the awardee in order to comply with tax reporting and withholding requirements.

See [Fellowship Payments and Reimbursements and Fellowships Toolkit](#), [Sample Template Business Expense Certification](#), [Processing Childcare Costs Matrix](#) and [NRSA Childcare Costs Guidance](#).

# Examples Fellowship/Grant/Allowance/Stipend

- A travel fellowship/grant for individual research
- An award to a student to do summer research abroad
- Stipend for a summer internship (personal, educational development)
- Reimbursement for out-of-pocket expenses for personal research (travel, expenses, childcare, medical, etc.).
  - To comply with tax reporting or withholding requirements, these types of expenses **should not** be incurred directly by Harvard.

See [Fellowship Payments and Reimbursements and Fellowships Toolkit](#), [Sample Template Business Expense Certification](#), [Processing Childcare Costs Matrix](#) and [NRSA Childcare Costs Guidance](#).

# Prizes vs Fellowship

<b>Prize/ Award</b>	
<b>Based on a past accomplishment (e.g., winning a business plan competition, a debate, etc.)</b> Process as a Payment Request (PR) or Purchase Order (PO) in B2P Obj Codes: 6462 – Students/8693 – Nonstudents	
<b>US Tax Residents</b>	<b>Nonresident International Payee</b>
<ul style="list-style-type: none"><li>• Harvard must report to the IRS and issue prize recipients a Form 1099 if the recipient receives \$600 or more in prize money during a calendar year</li><li>• 1099 MISC Box 3</li></ul>	<ul style="list-style-type: none"><li>• Harvard is required to report these payments to the IRS and to the recipient on Form 1042-S as “other income”</li><li>• 30% Withholding is required. Not eligible for tax treaty exemption</li></ul>

# Prize vs Fellowship (page 2)

## Fellowship/Grants

Payment or other value (plane ticket or other expenses) to support an individual in pursuit of their professional development, personal learning or scholarship.

Obj Codes: 6460 – Students / 6455 – Nonstudents

Process as Payment Request (PR) or Purchase Order (PO) in B2P

### **US Tax Residents**

- Harvard is not required to report these payments to the IRS or to the recipient
- No withholding is required at time of payment, but tax payments due at filing could be required
- Recipient must self-report as gross income for any non-qualified fellowship received

### **Nonresident International Payee**

- Harvard is required to report payments to the IRS. The recipient will receive a Form 1042-S indicating “fellowship/ scholarship” for non-qualified payments
- Withholding is required (at 14% or 30% depending on visa type) but can be reduced by tax treaties if determined eligible beforehand

**Qualified Reimbursements (Nontaxable)**  
**or**  
**Nonqualified Reimbursements (Taxable)**

# Qualified Business Expense Reimbursement (Nontaxable)

Every time a person receives a payment from Harvard – even an expense reimbursement - that payment may be considered income **unless** an exclusion applies. If an exclusion applies it is considered a **qualified** (nontaxable payment).

Exclusions include payments or reimbursements that are for valid Harvard business expenses and meets accountable plan rules (valid business purpose, substantiation, timely processing).

## Examples of qualified/nontaxable business expense reimbursements

- Travel expenses which is in direct support of University research or scholarship (e.g., guest speaker travel).
- Expenses required to fulfill duties (e.g., required training).
- Job-related materials, equipment and supplies.
- Travel expenses for **prospective students** visiting campus as part of their recruitment (prior to accepting admittance to Harvard).
- Individuals traveling to campus as part of a formal interview process (prior to them accepting a job offer from Harvard).



International payees receiving only qualified business expense reimbursements may be set up using BER supplier type which does not require a Sprintax Calculus registration. See [Supplier Set Up](#) details.

# Qualified Business Expense Reimbursement (Nontaxable)

(page 2)

- Expenses classified as pass-through course costs (i.e., required as part of a course) and meet the below criteria.
  - The recipient is a registered degree candidate; and
  - the expenses are necessary in delivering the course and budgeted as part of the course cost, and
  - the expenses are necessary in delivering the course and budgeted as part of the course cost.
- Payments for required tuition and fees for a degree program.

[See the Fellowship Payments and Reimbursements Policy and Toolkit](#)

# Nonqualified Reimbursement (Taxable)

Payments that are not excluded or do not qualify as a qualified business expense are considered a **nonqualified** (taxable and reportable payment).

Examples of nonqualified / taxable reimbursement include:

- Income payments (honorarium, speaker fee, royalty/copyright, etc.).
- Payments which include fellowships, prizes, travel grants, research grants, etc.
- Payment or other value (plane ticket or other expenses) to support an individual in pursuit of their professional development, personal learning or scholarship.
- Moving or house hunting expenses for individuals who have accepted an offer of employment.
- Payments that do not meet the accountable plan rules (valid business purpose, substantiation, timely processing).
- To comply with tax reporting or withholding requirements, these types of expenses should not be incurred directly by Harvard.

Depending on the situation, taxes may be withheld up front from gross income payments (as with salaries and wages or fellowships for nonresident international payee) or may not be withheld (as with fellowships to U.S. residents).

# Supplier Set Up


# Quick Reference – Supplier Types & Inactivation Dates\*

Supplier Type	Inactivation Date
<b>Business Expense Reimbursement</b> – Foreign (BER) – see <a href="#">Supplier Portal   Harvard Strategic Procurement</a>	90 days from activation date ( <a href="#">see requirements</a> )
<b>1042-S Individual – Non-US Citizen</b> (visa type is required; sample of special types and scenarios noted below)	
<ul style="list-style-type: none"> <li><a href="#">ADVTR – Advance Travel Grant</a></li> </ul>	90 days from activation date. Not able to reactivate without GLACIER
<ul style="list-style-type: none"> <li>NA – Not Applicable/Unknown</li> </ul>	Should be updated to correct visa type by supplier or Supplier Onboarding Team once GLACIER and immigration documents are provided
<ul style="list-style-type: none"> <li>NE – No Entry (supplier is not entering the U.S. and has no U.S. presence)</li> </ul>	90 days from activation date. See “NE-RC” if paying royalty, copyright, or patent income to an individual with no U.S. presence
<ul style="list-style-type: none"> <li>NE-RC – No Entry Royalty/Copyright (supplier is not entering the U.S., has no U.S. presence, but is receiving royalty, copyright, or patent income)</li> </ul>	2 years from date of W-8BEN signature
<ul style="list-style-type: none"> <li>All other visa types</li> </ul>	Auto inactivated based upon immigration documentation end dates
<b>Individual: US Citizen</b> / Legal Permanent Resident	N/A
<b>Temporary Supplier</b>	30 days from activation date
<b>US Entity</b> Sole Proprietorship, Partnership LLC, Corporation or Government Agency	N/A
<b>Foreign Entity</b> Corporation, Partnership, Trust, Tax-Exempt Organization, Private Foundation, Estate, Government / International Organization or Qualified Intermediary	Generally, 3 years from date of signature on W-8

*\*Suppliers with 18+ months of no activity are automatically inactivated)*

# Common Onboarding Supplier Options

Before setting up a new supplier, be sure to [confirm if a supplier](#) does not already have a record in B2P. You can search with partial names. If an individual supplier does not appear and you know the individual has a Harvard email address, use that address for the invitation.

Registration Option	Description	Required Information Needed by B2P Portal User
Invite New Supplier	A Harvard requestor sends a link to an individual or company, inviting them to self-register on our B2P Supplier Portal (Note: not recommended for foreign payees. See Request Form description below.)	<ul style="list-style-type: none"> <li>• Company or Individual</li> <li>• Legal Name*</li> <li>• Email Address</li> </ul>
Request New Supplier**	A Harvard requestor completes an online questionnaire to add a supplier in the B2P Supplier Portal (Temporary Vendors – Refund, BER)	<ul style="list-style-type: none"> <li>• Company or Individual</li> <li>• Legal Name*</li> <li>• Remit to Address</li> <li>• Email Address</li> <li>• Citizenship</li> <li>• Additional information may be required depending upon selection of Temporary or BER Vendor</li> </ul>
Request Foreign** Individual 	<p>A Harvard requestor completes an online questionnaire to add a supplier in the B2P Supplier Portal (BER supplier).</p> <p><b>Note:</b> Using “request a supplier” rather than “invite” will kick off the Sprintax Calculus request earlier in the onboarding process.</p>	<ul style="list-style-type: none"> <li>• Individual</li> <li>• Legal Name*</li> <li>• Email Address</li> <li>• Foreign Address Required</li> <li>• Citizenship</li> <li>• Visa Type (or NA if not known)</li> <li>• Additional information may be required depending upon selection of BER or Temporary Vendor</li> </ul>

\*Legal Name is the name listed on the payment and tax reporting documents. It must match the name listed on the W-9 or W-8 form collected.

\*\* Individuals set up using the “request” option Temporary or BER Suppliers will not be sent B2P/Jaggaer supplier log in information. If a supplier needs to modify their record or set payment preferences the department can send a B2P/Jaggaer invitation **within the vendor’s profile under supplier actions**. Individuals set up using the proxy method (proxy question) will not receive B2P/Jaggaer supplier log in information since Harvard is completing a complete supplier record on their behalf.

# Supplier Checklist – International Individual Payee

- Is supplier already in B2P? See [Supplier Search](#).
- Is supplier record active? See [Supplier Search](#) and [Supplier Inactivation Dates](#).
- Does supplier record need to be updated (Address add/change, [Paymode-X ACH](#), [Zelle](#))? See [Maintenance Request](#). Note: New Sprintax Calculus or W-8 materials may need to be uploaded for changes in circumstances.

IF THE INDIVIDUAL IS ENTERING THE U.S.	IF THE INDIVIDUAL WILL NOT BE ENTERING THE U.S.
<input type="checkbox"/> Confirm individual is legally allowed to receive payment from Harvard <a href="#">Most Commonly Seen Visa Types</a> .	<input type="checkbox"/> Select visa type “ <b>NE – No Entry/No U.S. Presence</b> ”. No Sprintax Calculus email will be sent to the individual since Sprintax Calculus is only required for U.S.-sourced income.
<input type="checkbox"/> If Harvard is reimbursing only for qualified business expenses and NOT honoraria/service payments, the international payee may be set up using <b>BER supplier type</b> which does not require a Sprintax Calculus registration.	<input type="checkbox"/> If you know the individual <b>will not</b> be entering the U.S. but is receiving royalty, copyright, or patent income, select " <b>NE-RC</b> " visa type which will require Sprintax Calculus.
<input type="checkbox"/> If Harvard is paying nonqualified expenses (fellowship/grant/allowance) prior to entry to the U.S., the international payee may be set up using <b>ADVTR visa type</b> (advanced travel grant) which will be taxed at 30% and foreign payee will complete Sprintax Calculus upon their arrival to the U.S.	
<input type="checkbox"/> If Harvard is paying US sourced income payments international payee must be set up as a 1042S supplier.	
<input type="checkbox"/> If you do not know the individual’s visa type, select “ <b>NA – Not Available</b> ”. This will trigger a Sprintax Calculus email to the individual. The Supplier Onboarding Team (SOT) will update the visa type upon receipt of the Sprintax Personal Tax Summary report and immigration documentation.	
<input type="checkbox"/> If you know the individual <b>will not</b> be entering the U.S. but is receiving royalty, copyright, or patent income, select " <b>NE-RC</b> " visa type which will require Sprintax Calculus .	See <a href="#">U.S. Sourced Income</a>

# Onboarding an Individual – US Citizen or Legal Permanent Resident

## Payment Terms - Immediate

Before setting up a new supplier, be sure to [confirm if a supplier](#) does not already have a record in B2P. You can search with partial names. If an individual supplier does not appear and you know the individual has a Harvard email address, use that address for the invitation.

Supplier Type	Legal Structure Tax Classification on W-9	Required Document(s)	Inactivation Date	Typical Use Case
<b>1099</b>	US Individual/Sole Proprietor/Single Member LLC	Signed form <a href="#">W-9</a> (form will be prepopulated in B2P or can be completed and uploaded in B2P)	Automatically inactivated 180 days if never paid or if not paid after 18 months	US Citizens or Legal Permanent Residents receiving payments from Harvard: <ul style="list-style-type: none"><li>- Goods and services</li><li>- Fellowships, Prizes, Awards</li><li>- Independent contractors</li><li>- Invited guest speakers</li><li>- Royalties, Copyrights, Patents</li><li>- Harvard Students</li><li>- Human subject payments</li><li>- Nonemployee reimbursement</li></ul>
<b>Temporary</b>	N/A	Legal Name, Address	30 days from date of activation	<ul style="list-style-type: none"><li>– One-time use generally for refunds (e.g., for registration fees or Crimson Cash)</li><li>– <b>CANNOT</b> be used for business expense reimbursements or income payments</li><li>– Individuals only, not for companies</li></ul>

# Onboarding an Individual – Non-US Citizen

## Payment Terms - Immediate

Before setting up a new supplier, be sure to [confirm if a supplier](#) does not already have a record in B2P. You can search with partial names. If an individual supplier does not appear and you know the individual has a Harvard email address, use that address for the invitation.



Supplier Type	Visa Type	Legal Structure Tax Classification on Document	Required Document(s)	Inactivation Date	Typical Use Case
1042-S	<ul style="list-style-type: none"> <li>Dept must confirm individual legally allowed to be paid by Harvard.</li> <li>See <a href="#">“Most Commonly Seen Visa Types”</a></li> <li>If visa type is unknown and the individual is entering the US, select "NA – Not Available"</li> </ul>	Foreign Individual	<ul style="list-style-type: none"> <li><a href="#">Complete Sprintax Calculus</a> <ul style="list-style-type: none"> <li>Will generate W-8BEN</li> <li>Will list additional documents required for upload.</li> </ul> </li> <li>Permanent foreign address (Fulfillment Address)</li> </ul>	Based on immigration status expiration date	Foreign Individuals receiving payments from Harvard: <ul style="list-style-type: none"> <li>Goods and services</li> <li>Fellowships, Prizes, Awards</li> <li>Independent contractors</li> <li>Invited guest speakers</li> <li>Royalties, Copyrights, Patents</li> <li>Harvard Students</li> <li>Human subject payments</li> <li>Nonemployee reimbursement</li> </ul>
	NE – No Entry	Foreign Individual	<ul style="list-style-type: none"> <li><a href="#">W-8BEN</a> (completed in B2P)</li> <li>Permanent foreign address (Fulfillment Address)</li> </ul>	90 days from activation date	<ul style="list-style-type: none"> <li>Payments to individuals who did not enter the U.S. or have no U.S. presence.</li> <li>NOT used to pay US-sourced income such as royalties, copyrights. <b>See NE-RC.</b></li> </ul>
	NE-RC – No Entry and Royalty/ Copyright Payment	Foreign Individual	<ul style="list-style-type: none"> <li><a href="#">Complete Sprintax Calculus</a> <ul style="list-style-type: none"> <li>Will generate W-8BEN</li> <li>Will list additional documents required for upload.</li> </ul> </li> <li>Permanent foreign address (Fulfillment Address)</li> </ul>	2 years from W-8 signature date	<ul style="list-style-type: none"> <li>Royalty or copyright payment to individual with no U.S. presence (i.e., Office of Technology &amp; Development and HU Press payments)</li> </ul>

# Onboarding an Individual – Non-US Citizen (continued)

## Payment Terms - Immediate

Supplier Type	Visa Type	Legal Structure Tax Classification on Document	Required Document(s)	Inactivation Date	Typical Use Case
<b>1042-S (continued)</b>	<a href="#">ADVTR – Advanced Travel Grant</a>	Foreign Individual	<ul style="list-style-type: none"> <li>Supplier record is activated before entry into U.S.</li> <li>Upon entry into U.S. supplier completes <a href="#">Sprintax Calculus</a> packet with immigration documentation</li> </ul>	90 days from activation date	<ul style="list-style-type: none"> <li><b>ONLY</b> for grants to new scholars arranging travel to the US. Travel grants will incur a 30% tax withholding until Sprintax Calculus is later submitted. See FAQ <a href="#">ADVTR</a>.</li> <li>Not for service-related income (i.e., honorarium)</li> </ul>
<b>Temporary</b>	Correct visa type	N/A	Legal Name, Address	30 days from activation date	<ul style="list-style-type: none"> <li>Refund for registration fees or Crimson Cash</li> <li><b>NOT</b> used for business expense reimbursements or income payments</li> </ul>
<b><u>Business Expense Reimbursement (BER)</u></b>	<ul style="list-style-type: none"> <li>- Correct visa type</li> <li>- Dept must confirm individual legally allowed to be paid by Harvard</li> <li>- See <a href="#">Most Commonly Seen Visa Types and BER Process</a></li> </ul>	Foreign Individual	<ul style="list-style-type: none"> <li>- Paying dept must collect and submit required documents with requisition at time of payment. See <a href="#">BER supplier process</a>.</li> <li>- Permanent foreign address (Fulfillment Address)</li> <li>- Must follow Accountable Plan Rules and Travel Policies</li> </ul>	90 days from activation date.  Cannot change or reactivate a 1042-S Supplier to a BER Supplier	<ul style="list-style-type: none"> <li>- Invited speaker <b>only</b> receiving reimbursement for travel and has never previously received income from Harvard.</li> <li>- A candidate for a faculty position who incurred out-of-pocket expenses to travel to Harvard for an interview as a one-time reimbursement.</li> <li>- <b>NOT</b> used to process any income payments</li> </ul>

# Business Expense Reimbursement (BER)

- 1. New international individual suppliers who are *only receiving business expense reimbursements*\* do not need to complete a Sprintax Calculus registration.**
  - They should be set up in B2P as “Business Expense Reimbursement – Foreign Individual.”
  - Examples: airfare, hotel, meals, goods
  - \*There are rare exceptions that will be handled at the payment request step
- 2. For existing international *BER suppliers* whose B2P record is inactive, send a Maintenance Request to Supplier Onboarding to reactivate.**
  - B2P designates BER suppliers with a  symbol under Supplier Classes.
- 3. For existing *1042-S suppliers*, Sprintax Calculus registration may be required if certain statuses have expired.**
  - B2P designates 1042-S suppliers with a  symbol under Supplier Classes.

Please see the [Business Expense Reimbursement - Foreign Individual \(BER Supplier\)](#) page for more details.

# **Buy to Pay (B2P) Tips and Tricks**

# In Lieu of Form

**INVOICE NUMBER\*:**  (25 character limit)  
\*Format: SUPPLIERNAME+DD+MMM+YY (e.g. JOHNNHARVARD03APR20) for an invoice from supplier John Harvard dated 4/30/20. Exclude lower case, special characters, dashes, and spaces.

**INVOICE DATE:**  **PAYMENT AMOUNT:**

**SUPPLIER NAME:**  (Must match supplier name on B2P requ

**TYPE OF TRANSACTION:**    
(Line description in B2P must be as detailed as possible supporting reason for payment

**ADDITIONAL INFORMATION:**   
Required when "Other" is selected as Type of Transaction. May also be used to give additional payment details.

**LOCATION OF ACTIVITY:**

**COUNTRY (IF OUTSIDE U.S.):**

**DATE(S) OF SERVICE/ACTIVITY:**

Reason for Payment	Best Use Object Code	Description
Copyright/ Royalty/ Licensing/Patent Fees	8570	Distribution of royalties and other license fees paid to use/reproduce copyright or patented works not owned by the University.
Donation	8450/8454	A charitable contribution donation (e.g., in lieu of flowers for sympathy).
Fellowship/Grant	6460-students 6455-nonstudents	Payment to aid in an individual's pursuit of study or research. A fellowship may take the form of a travel award or allowance. This is not related to performance of services on behalf of Harvard.
Honoraria/Performer/Lecturer Inside MA	8690/8692/8694	Payment to an individual or entity earning income connected with Massachusetts for performances. Performances can be of an athletic, entertainment, or educational nature, may be subject to withholding on that income.
Honoraria/Performer/Lecturer Outside MA	8691/8694	Payment to an individual or entity earning income connected with a performance. Performances can be of an athletic, entertainment, or educational nature.
Prize/Award	6462-students 8693-nonstudents	A gift for a task well done, i.e., writing the best essay.
Refund	Original object code	One-time repayment for a cancellation of a program or an overpayment.
Other	Varies	Use object code that best describes transaction.

# B2P Tips and Tricks – Payment Request (PR)

- All payments to foreign entities and individuals are placed in a queue for tax review.
- Make sure the type of transaction matches the description and invoice details (e.g., don't select "Other" as type of transaction, but note "commencement guest speaker" in the description and attachment is an award letter for a prize).
- Attach an invoice, in lieu of form, agreement, email correspondence.

Select the help button for additional information.

**Transaction Information**

Type of Transaction (Suggested Object Code)

- Copyright/Royalty/Licensing Fees (8570)
- Donation (8450/8454)
- Fellowship/Grant (6460-Students/6455-NonStudents)
- Honoraria/Performer/Lecturer: Inside Mass (8690/8692/8694)
- Honoraria/Performer/Lecturer: Outside Mass (8691/8694)
- Prize/Award (6462-Students/8693-NonStudents)
- Refund
- Other (Not Identified Above)

More Information  
Description

<https://oc.finance.harvard.edu/ap-forms>

254 characters remaining [expand](#) | [clear](#)

Attachments

[Add Attachments](#)

**Invoice Information**

Supplier Inv #

*If the supplier has provided an invoice number, enter the invoice number as it appears. Exclude: spaces, the word 'invoice', and do not use # as a prefix. If you do not have a supplier invoice number you must use the following format: SUPPLIERNAME+DD+MMM+YY (e.g. JOHNHARVARD03APR20) for an invoice from supplier John Harvard dated 4/30/20. Exclude lower case, special characters, dashes, and spaces*

Invoice Date

mm/dd/yyyy

Invoice Amount

Location of activity

Section	Description
1 Type of Transaction	<ul style="list-style-type: none"> <li>• Select the most appropriate type of transaction.</li> <li>• <b>Only select "Other" if the transaction does not match one of the options listed</b> (e.g., loan forgiveness, human subject payment, consulting, etc.).</li> <li>• Selecting "Other" can delay review and processing since it goes into a larger queue for tax review.</li> </ul>
2 Description	Put in a detailed business purpose/description (what, where, when, why). Note the location of the activity/service.
3 Internal Attachments	Attach an invoice, award letter, or in lieu of form. This documentation shows what the payment is for and why the requestor is initiating the transaction. Documentation can be an invoice, in lieu of form, agreement, contract, or correspondence that documents the business purpose (who, what, where, when, why, how).
4 Location of Activity	Where is the service being performed, property being rented, or the location where fellowship income is expected to be utilized.

# Commonly Used Object Codes for Students

Object Code	Object Code Description	Additional Notes
6460	Other Grants+Amounts Paid to Students	Formerly "Prizes+Awards, Student, GENERAL" As of 1/1/2015, this object code can be used for nonservice payments to students not intended to cover either tuition or living expenses; may include research and travel grants to students. Note that use of this object code for any amount will generate a Form 1042-S for international payees. For prizes based on past accomplishment (that will generate a Form 1099 if > \$600 in a calendar year to US tax residents), use object code 6462.
6461	Other Undergraduate Grants^Prizes+Awards	Students Payments for undergraduate students for study abroad, summer research, and public service programs. Amounts are paid directly to students, or on behalf of students, and do not represent payment for services, which must be processed through a payroll object code. <b>Generally used by student receivables and is considered a fellowship/grant.</b>
6462	Prizes, Students GENERAL	As of 1/1/2015, this object code should only be used for prizes BASED ON PAST ACCOMPLISHMENT paid to students; will generate a Form 1099 to US tax residents if amounts > \$600 in calendar year. Note that use of this object code for any amount will generate a Form 1042-S for international payees.

# Questions / Thoughts / Feedback ?



# Appendices and Reference Materials

## Appendices

Most Common Payment Types – Employees and Nonemployees

Detailed Summary of Performer Object Codes

U.S. Source vs Foreign Source Income

Grossing up Fellowship Payments

Processing Third Party Payments

Processing Payments to Harvard Students

Honorarium and Speaking Fees

## Reference Materials

[Classification Employee Fellow vs Nonemployee Fellow](#)

[Fellowship Payments and Reimbursements for Students and Non-employee Postdocs/Fellows](#)

[Fellowships Toolkit](#)

[Honoraria and Reimbursements for Foreign Nationals](#)

[Human Subject Payments Policy](#)

[I-9 Collection Processes](#)

[Independent Contractor Policy](#)

[Methods if Classified as an Employee](#)

[Performer Tax Information including slide deck and other materials](#)

[Processing Childcare Costs Matrix.](#)

[University-Issued Card Policy](#)

# Most Common Types of Payments to Nonemployees

See [Fellowships Toolkit](#)

PAYMENT INFORMATION						US TAX RESIDENTS			NON-RESIDENT ALIENS		
Type of payment	Payment definition	System/payment mechanism	Payee (relationship to the university)	Processed by?	Common object codes used	Taxable to U.S. tax residents?	If taxable, tax reporting document issued	If taxable, is withholding required? If so, at what rate?	Taxable to aliens?	If taxable, tax reporting document issued	If taxable, is withholding required? If so, at what rate?
QUALIFIED SCHOLARSHIP (also called "grant", "award", "stipend", "scholarship") often applied directly to student bill	Required tuition and fees associated with a degree program	SFS via SIS feed, payment applied directly to bill	Students (Must be registered in a degree program)	SRO	6410, 6430	NO per IRS Pub 970	N/A	N/A	NO per IRS Pub 519	N/A	N/A
NON-QUALIFIED SCHOLARSHIP/FELLOWSHIP (also called "grant", "award", "stipend" and can be paid either via Payroll or AP)	Payment for expenses other than required tuition and fees (e.g., living expenses, travel)	Payroll/ Add Pay-SFS via SIS feed to Payroll or AP (HCOM)	Student (MST), Monthly Teaching Fellow (MTF), External Post Doctoral Fellow (MEP)	Payroll Processors/ SRO or AP	6120, 6140, 6440, 6450-6455, or 6460	YES per IRS Pub 970	None - individuals need to self-report (1)	NO	YES per IRS Pub 519	1042-S, income code 15	YES, 14% for an F, J, M or Q visa holder, 30% for B-1 visa holders, lower if a tax treaty is on file (2)
PRIZES	A payment for a task well done (e.g., writing the best thesis, etc.)	AP (HCOM)	Non-Employees	AP	6462	YES per IRS Pub 970	1099 MISC, Box 3 other income	NO	YES per IRS Pub 515	1042-S, income code 16	YES, 30% (no tax treaty applies)
HONORARIA	A cash gift for services rendered where no set value is assigned.	AP (HCOM)	Non-Employees	AP	8690 or 8692	YES per IRS 1099 Instructions	1099 MISC, Box 7 non-employee income	YES IF: CY amounts >= \$5K, 5.25% MA Performers Tax (3)	YES per IRS Pub 515	1042-S, income code 16	YES, 30% FED (no tax treaty applies) plus 5.25% MA Performers Tax if CY payments >= \$5K (3)
ROYALTIES	Payment for use of intellectual property (writing, inventions, etc.)	AP (HCOM)	Non-Employees	AP	8570	YES per IRS Pub 15-A	1099 Misc, Box 2 royalty income	NO	YES	1042-S, income code 12	YES, 30% (lower if tax treaty applies)
REFUNDS	Repayment from the University (i.e. for cancellation of a program or an overpayment to UHS)	AP (HCOM)	Employee	AP	Varied	NO	N/A	N/A	NO	N/A	N/A
SERVICE PAYMENTS (includes expenses)	Payment for services rendered as a non-employee	AP (HCOM)	Non-Employees (independent contractors or non-employee fellows)	AP	Varied depending on activity	YES per IRS Pub 15-A	1099 MISC, Box 7 non-employee income	YES IF: CY speaking/performance fees >= \$5K, 5.25% MA Performers Tax (3)	YES per IRS Pub 515	1042-S, income code 16	YES, 30% FED (no tax treaty applies) plus 5.25% MA Performers Tax if CY payments >= \$5K (3)
NONTAXABLE REIMBURSEMENTS (Business Expenses Associated with an Invited Guest/Required Course for Degree Student/Reimbursement of Employee/Student Recruitment Expenses/Other non-employee expenses)(2)	Payment to a non-employee who has paid for bona fide University business expenses out of pocket	Oracle Non-employee Reimbursement (NR)	No current relationship to the university (includes prospective employees and students)	AP	Varied depending on activity	NO per IRS Pub 463	N/A	N/A	NO per IRS Pub 515	N/A	N/A

1. While nonqualified scholarships and fellowships are gross income to recipients who are U.S. tax residents, the IRS does not require Harvard to report on these payments. This means that Harvard sends no documentation on these payments to either the IRS or to the recipient. Recipients are advised to retain their award letters or pay stubs to substantiate the amount of money received for tax purposes.

2. Tax treaties that can reduce withholding burden may apply for residents of certain countries. For more information, see contact list at: [Nonresident Alien Tax](#)

3. If Harvard pays a performer over \$5,000 during a calendar year, 5.25% Massachusetts Performers Tax must be withheld from the payment. See more information at:

[the Office of the Controller website.](#)

# Most Common Types of Payments to Employees

See [Fellowships Toolkit](#)

PAYMENT INFORMATION				U.S. TAX RESIDENTS			NON-RESIDENT ALIENS		
Type of payment	Payment definition	System/payment mechanism	Payment/reimbursement processed by?	Taxable to U.S. tax residents?	Tax reporting document issued to U.S. tax resident	Is withholding required? If so, at what rate?	Taxable to aliens?	If taxable, tax reporting document issued	If taxable, is withholding required? If so, at what rate?
REGULAR SALARIES AND WAGES	Compensation for services rendered as an employee	Payroll	Payroll Processors	YES per IRS Pub 15-A	W-2	YES, based on W-4	YES	W-2 or 1042-S if tax treaty on file (1)	YES based on W-4, unless tax treaty on file (1)
BONUS OR OTHER SUPPLEMENTAL PAY (2)	Special payments other than regular wages and salaries	Payroll	Payroll Processors	YES per IRS Pub 463	W-2	YES, at supplemental rate	YES per IRS Pub 515	W-2 or 1042-S if tax treaty on file (1)	YES at supplemental rate, unless tax treaty on file (3)
EMPLOYEE REIMBURSEMENT	Payment to an employee who has paid for bona fide University business expenses out of pocket	Oracle/ Reimbursements, Web Voucher Reimbursement	RCS/AP Processors	NO per IRS Pub 463	N/A	N/A	NO per Accountable Plan Rule	N/A	N/A
QUALIFIED MOVING AND RELOCATION EXPENSES (4)	Payments made to an incoming employee to support his/her relocation	Payroll	Payroll Processors	NO per IRS Pub 521	N/A	N/A	NO per IRS Pub 521	N/A	N/A
NON-QUALIFIED MOVING AND RELOCATION EXPENSES (4)	Payments made to an incoming employee to support his/her relocation	Payroll	Payroll Processors	YES per IRS Pub 463	W-2	YES, at supplemental rate	YES per IRS Pub 515	1042-S	YES at supplemental rate, unless tax treaty on file (3)
GIFT	Tangible personal property awarded out of gratitude	Payroll Add Pay	Payroll Processors	YES if > \$75 (for longer service employees, if > \$400) per HU Gift Policy (5)	W-2 as additional compensation	YES, at supplemental rate	YES if > \$75 (for longer service employees, if > \$400) per HU Gift Policy (5)	W-2 as additional compensation, 1042-S if tax treaty is on file (3)	YES at supplemental rate, unless tax treaty on file (3)
HONORARIA (Service Performed Is Related to Employment)	A cash gift for services rendered where not set value is assigned	Payroll Add Pay	Payroll Processors	YES per IRS Pub 15-A	W-2 as additional compensation	YES, at supplemental rate	YES per IRS Pub 515	W-2 as additional compensation, 1042-S Form if tax treaty is on file (3)	YES at supplemental rate, unless tax treaty on file (3)
REFUND	Repayment from the University (i.e. for cancellation of a program or an overpayment to UHS)	AP (HCOM)	AP	NO	N/A	N/A	NO	N/A	N/A
ROYALTY INCOME	Payment for use of intellectual property	AP (HCOM)	AP	YES per IRS Pub 15-A	1099 MISC box 2 royalty income	NO	YES per IRS Pub 515	1042-S, income code 12	YES, at 30% unless tax treaty is on file
HOUSING ALLOWANCES/ MORTGAGE SUBSIDIES	Cash payment to employee to subsidize housing/mortgage costs	Payroll Add Pay	Payroll Processors	YES per IRS Pub 15-A	W-2 as additional compensation	YES, at supplemental rate	YES per IRS Pub 515	W-2 as additional compensation, 1042-S if tax treaty is on file (3)	YES at supplemental rate, unless tax treaty on file (3)

(1) If a non-resident alien has a tax treaty on file with the Nonresident Alien Tax group, the withholding rate is 0% and the employee will receive a Form 1042-S. If no tax treaty is on file, the withholding is based on the employee's Form W-4 elections and the employee will receive a W-2. Call NRA Tax Customer Service at 5-8500, Option 5, for more information.

(2) Typically, employees should not receive 1099 payments, except in the rare circumstance where the employee provides services that are significantly unrelated to his or her regular Harvard job.

(3) Same as Note 1 above, except that if no tax treaty is in place, the withholding on these payment types is at the supplemental rate.

(4) See [guidelines for qualified vs. nonqualified moving expenses](#)

(5) See [HU Gifts and Celebratory Events Policy](#)

# Summary of Performer Object Codes Chart



## Lecture / Performance Held Outside of Massachusetts Use Object Code 8691

(Lect Perf OUTSIDE MA - honoraria/svc  
pmt/fees to vistng lect/perf)

- Individual or entity was not located in Massachusetts when they performed the service
- Not subject to the Massachusetts Performer tax (though they may be liable for other taxes based on their location and immigration status)
- Payments may be classified as honorarium or service payments

## Lecture / Performance Held Inside Massachusetts Use Object Code 8690

(Lect Perf IN MA WH Ex-honoraria/svc  
pmt/fees to vis lec/perf/ent(pmt holds))

### No Exemption Attestation

- Individual or entity was in Massachusetts when they performed the service
- Payments may be classified as honorarium or service payments
- Individual or entity did NOT submit a Form PWH-WW or PWH-RW to Mass Department of Revenue
- Will be assessed a performer tax when they earn >\$5,000 cumulatively in a calendar year. Note: The tax will be withheld on the total payment that reaches the \$5,000 threshold and any payments after that

## Lecture / Performance Held Inside Massachusetts Use Object Code 8692 (Lect Perf IN MA WH Ex-honoraria/svc pmt/fees to vis lec/perf/ent(pmt holds))

### Includes Exemption Attestation

- Individual or entity was in Massachusetts when they performed the service
- Payments may be classified as honorarium or service payments
- Individual or entity has completed the Attestation Form for Claiming Exemption or Reduction in Withholding acknowledging they submitted a Form PWH-WW or PWH-RW to Mass Department of Revenue at least 10 days before the event
- Central Accounts Payable will review the documentation and adjust tax liability as appropriate.

## Individual - Non- Performance Related Honoraria Use Object Code 8694

(Honoraria-Individual "non  
performance" related)

- Non-performance payment that is classified as an honorarium.
- Payment is to an individual (not entity) and is one-time payment for which no fee is required or set. For example, a juror on an award selection committee.
- Non-performance related payments to an entity would most likely be in the 79XX object code series.

# U.S. Source vs. Foreign Source Income

**If you are paying a fellowship for activities that take place outside of the US, you need to determine the source of the income.**

- Nonresident international payees, for tax purposes, unlike U.S. citizens and residents, are only subject to tax on income that is considered U.S. Source Income by the IRS. Foreign Source Income received by nonresident aliens is not subject to U.S. taxation. If the funds will be used outside the U.S. there is no U.S. tax withholding/Reporting done.
- U.S. Source Income - income is generally considered U.S. Source if the location of the activity for which the payment is being made is in the U.S.
- Foreign Source Income - income is generally considered foreign source if the location of the activity for which the payment is being made is outside the U.S.
- **Prizes** are reportable for US citizens who must get a Form 1099 from Harvard if the prize is \$600 or more or the recipient receives aggregate of \$600 from Harvard in a calendar year; prizes paid to nonresident international payees must have taxes taken out and will be reported on Form 1042-S.

# Grossing Up Fellowship Payments

In certain situations where budget, University, and departmental policy allows, departments may wish to “gross up” a payment. This may be utilized to achieve a specific “net amount”, accounting for any required tax withholdings on payments processed to nonresident international payees (or on their behalf). The payment is reportable to the individual for the “gross amount”. Depending on the particular situation, tax withholding on payments to nonresident aliens is typically 14% or 30%. If an individual later claims a tax treaty exemption, they may be eligible for a refund of all taxes, then receiving the entire “gross amount” paid.

Before grossing up a payment, departments are encouraged to contact the International Payee Tax Compliance Team at 5-8500 ext. 5, to confirm the recipient’s tax status and withholding rate on payments intending to be processed at that time. Remember that this data could change at any point, so there is a risk of overpayment (e.g. tax treaty later claimed, becoming a resident alien). **Due to the significant cost, gross ups must come out of the requesting department’s budget.**

## How do I “gross up” a check so the net is \$100 after withholding taxes at 14%?

1. Determine the tax rate
2. Calculate  $100\% - \text{tax rate}\% = \text{Net}\%$
3.  $\text{Desired end payment} / \text{Net}\% = \text{Gross amount of earnings}$
4. Double check by calculating gross to net pay

Step	Description	Notes/Calculation
1	<b>Determine the tax rate</b>	Assume this payment must be taxed at the rate of 14%
2	<b>Calculate <math>100\% - \text{tax rate}\%</math></b>	$100\% - 14\% = 86\%$
3	<b>Desired end payment / Net%</b>	$\$100$ (desired net payment) / $86\%$ (net %) = $\$116.28$ (grossed-up amount of earnings)
4	<b>Double check your formula by calculating gross-to-net pay</b>	$\$116.28 \times 14\% = \$16.28$ (tax withheld) $\$116.28 - \$16.28 = \$100$ (correct desired end payment)

# Processing a Third-Party Payment

If you pay a vendor *on behalf of another individual* (i.e., Harvard pays health insurance for a post doc to UHS), the payment may represent taxable income to the person benefitting from the payment. In order to properly account for the tax liability to the individual, AP requires a special process for these types of “third-party” payments. This process is required to pay or reimburse the correct vendor or person (called “the alternate payee”) while simultaneously adding imputed income to the benefitted individual’s tax record.

**You may need to process a third-party payment if you pay a vendor on behalf of a postdoc, if the payment represents income to the postdoc.**

1. Use the Oracle Vendor Request Form to add a “site” to the benefitted individual’s vendor profile that reads: “or [alternate payee’s name]”, with alternate payee’s address
2. Once new site is set up, choose the name of the benefitted individual (who is receiving the imputed income) as the vendor for payment.
3. Choose the site that lists the alternate payee’s name (the person who is being reimbursed or the vendor who is being paid) in the first line of the site.

**Example:** Harvard paid Harvard Pilgrim Healthcare \$1000 for Sally Smith’s health insurance, which represents taxable income for Sally Smith.

Step 1	Step 2	Step 3
<p>Use the Oracle Vendor Request Form to add a “site” to Sally Smith’s vendor profile so that reads:</p> <p>SALLY SMITH OR HARVARD PILGRIM HEALTHCARE 123 MAIN STREET CAMBRIDGE, MA 02138-0001</p> <p style="margin-left: 150px;">} <i>Harvard Pilgrim Healthcare’s address</i></p>	<p>Once the new site is set up, create the payment request and choose <b>Sally Smith</b> (the benefitted individual) as the vendor for payment</p>	<p>Select the Sally Smith vendor profile that contains the alternate payee vendor site for processing the payment request in HCOM</p> <p>SALLY SMITH OR HARVARD PILGRIM HEALTHCARE 123 MAIN STREET CAMBRIDGE, MA 02138-0001</p>

To “gross up” a third party payment (so that a international payee gets the full amount after taxes are withheld:

- Cross out the original amount of the invoice and write in the grossed up amount
- Add a cover sheet, clearly indicating that you are processing an international payeethird-party payment and grossing it up.
- “Gross up” a third party payment might be required if paying an international payee

# Processing Payments to Harvard Students

Scenario	Payment Type	Description	Object Code	Payment System	US Tax Residents	Nonresident International Payee
Is the payment for required tuition and fees for a degree program?	Qualified Fellowship (Scholarship for Tuition and Required Fees)	Payment for required tuition and fees for a degree program.  Required fees include student fees and health insurance fees and any other fees which are required component of enrollment.	6410 – Undergraduate Tuition and Fee Grants  6430 – Graduate Tuition and Fee Grants	SIS my.harvard Term Bill	Not Taxable	Not Taxable
Is the payment to support an individual's education pursuit of study or research or cover their living expenses?  *Payments for certain study abroad, summer research or public service programs for undergraduates are often processed through SIS using 6461 as a payment to the student.	Nonqualified Fellowship (Stipend)  Also known as fellowships, grants, travel grants, study abroad, research grants, etc.	A payment to aid in an individual's pursuit of study or research. A fellowship may take the form of a travel award or allowance. This is not related to performance of services on behalf of Harvard.	6460 – Other Grants + Amounts Paid to Students for international students (B2P)  6440 – Graduate Student Stipend (suggested when used for multiple, recurring payments) paid via PeopleSoft HR Stipend OR 6460 – Other Grants + Amounts Paid to Students Suggested for one-time payments paid via B2P	Undergraduate B2P - PR Check to student  Graduate Students PeopleSoft HR Stipend Check to student  B2P – PR Check to student	Harvard is not required to report payments to the IRS or to the recipient  No withholding is required at time of payment being issued.  Recipient must self-report as gross income	Harvard is required to report payments to the IRS and to the recipient on Form 1042-S  Withholding is required (usually at 14% or 30%) but can be reduced by tax treaties if available  Not taxed if activity is completed outside of the US.

# Processing Payments to Harvard Students (slide 2)

Scenario	Payment Type	Description	Object Code	Payment System	US Tax Residents	Nonresident International Payee
Is the payment predicated on a past accomplishment or winning a competition?	Prize or Award	A gift for a task well done or a past accomplishment, i.e., writing the best essay, earnings the highest GPA	6462 – Prizes, Students General	B2P – PR Check to student	Harvard must report to the IRS and issue prize recipients a Form 1099 if the prize amount is \$600 or more aggregate for the year  1099MISC Box 3	Harvard is required to report payments to the IRS and to the recipient on Form 1042-S.  30% Withholding is required. Not eligible for tax treaty exemption
Is the expense a required course expense?	Course Expenses	Some travel or other course expenses are nontaxable if: <u>The travel or other expense is required as part of a course</u> (see below); and The recipient is a <u>registered degree candidate</u> ; and The expenses are necessary in delivering the course and budgeted as part of the course cost.	Use appropriate object code description.	B2P – NR Check to student  Must follow accountable plan rules (receipts, timely processing, Harvard business).	Not Taxable	Not Taxable

# Processing Payments to Harvard Students (slide 3)

Scenario	Payment Type	Description	Object Code	Payment System	US Tax Residents	Nonresident International Payee
Is this a reimbursement for expenses incurred in direct support of University research or scholarship?	Harvard Business Expense	<p>Expenses may be reimbursed as University business expenses if a faculty member or another authorized Harvard employee determines that the expense is in <u>direct support</u> of University research or scholarship.</p> <p>This process should not be used when processing payments incurred for an individual's personal, professional development or research.</p>	Use appropriate object code description.	<p>B2P – NR Check to student</p> <p>Must follow accountable plan rules (receipts, timely processing, Harvard business).</p>	Not Taxable	Not Taxable

## Honorarium vs Speaking Fees

The term honorarium (aka honoraria) and services, and speaking fees are often used interchangeably.

The IRS defines them differently, but they are **both** considered income and may have tax reporting and withholding requirements and need to comply with the IC Policy.

- Any individual or entity earning income connected with a Massachusetts performance, are subject to Massachusetts personal income tax on that income.
- Tax withholding applies when the individual or entity receives performer payments aggregating >\$5,000 during a calendar year from Harvard. See [Performer Tax Brown Bag Slide Deck](#) and additional materials.