



***Processing Fellowships, Prizes, Grants, Allowances,
or Awards Policy Review Session
March 22, 2023***

Welcome

Introductions:

- Karen Kittredge, Manager, Policy and Business Process
- Natasha Rivera, Manager, Nonresident Alien Compliance
- Various Subject Matter Specialists

Learning Objectives

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

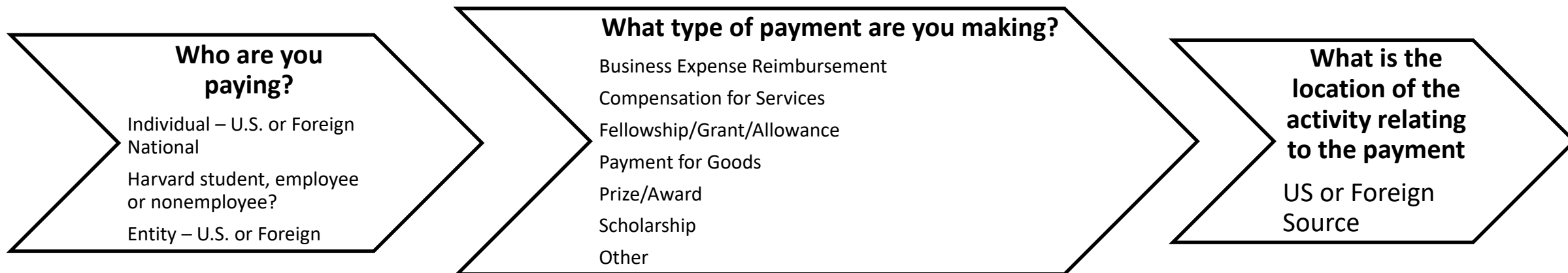
- Understand the differences between a prize, award, fellowship, grant, stipend, and Harvard's tax reporting and withholding requirements.
- How to process a properly classified payment
- Become familiar with some tips and tricks when processing payments in B2P
- Know how to leverage various resources

Determining Payment Type

Basic Tax Concepts

- Every time a person receives a payment from Harvard – even an expense reimbursement - that payment may be considered taxable and reportable **unless** an exclusion applies. **An individual or department's preference is not relevant to the classification determination.**
- If an exclusion applies it is considered a nontaxable payment. Common examples include:
 - Payments or reimbursements that are for valid Harvard business expenses and meet accountable plan rules (valid business purpose, substantiation, timely processing).
 - Payments for required tuition and fees for a degree program (often called scholarships).
 - Foreign sourced income for foreign nationals.
 - Income exempt under tax treaty claims or other IRS revenue codes.
- If an exclusion does not apply it is considered a **nonqualified** (taxable or reportable payment). Nonqualified payments include fellowships, prizes, travel grants, research grants, and some taxable reimbursements such as expenses for personal/educational development, expenses >90 days, moving expenses, health insurance.
- Depending on the situation, taxes may be withheld up front from gross income payments (as with salaries and wages or fellowships for nonresident aliens) or may not be withheld (as with fellowships to U.S. residents). Gross income is the amount earned before anything is taken out for taxes or other deductions. Fellowship payments may constitute “gross income” to the recipient and need to be included on the recipient's tax return.
- The object code does not solely determine tax and reporting requirements. Tax determination are also based on payment description, transaction type, location of activity, etc.

Incurring Expenses and Processing Payments



Are you paying an entity/business or an individual?

- Is it a U.S. or foreign entity?
- Is individual a U.S. Citizen/Permanent Resident or a Foreign National/Nonresident Alien
- What is their tax residency and visa status?
- Is the individual entering the U.S.?

What type of payment are you making?

- 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. An individual or department's preference **is not relevant** to the classification determination.
- If payment to an individual, are they classified correctly and are they allowed to receive payment based on their visa status?

Where is the payment being used (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 Payment Types

A
R
E
A
S

O
F

F
O
C
U
S

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	Yes
Nonqualified Fellowship (Stipend, grant, award, allowance, etc.)	<p>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.</p> <p>*Used for recurring graduate student stipends processed through a school's financial aid office. See Student Funding Policies</p>	B2P – PR PeopleSoft*	Yes
Qualified Fellowship (Scholarship for Tuition and Required Fees)	Payment for required tuition and fees for a degree program. These payments are processed by a school's financial aid office.	SIS Feed – Term Bill my.harvard	No
Qualified Course Expenses	<p>Some travel or other course expenses are nontaxable if:</p> <ul style="list-style-type: none"> • The travel or other expense is required as part of a course; and • The recipient is a registered degree candidate; and • The expenses are necessary in delivering the course and budgeted as part of the course cost. 	B2P – NR	No
Harvard Business Expense	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
Services – Classified as an Independent Contractor	Independent Contractor if meets the classification (best practice is to pay Harvard students through payroll).	B2P – PR	Yes
Employment / Work / Service / Researcher	Individual must perform an action or complete a deliverable in order to be paid.	PeopleSoft	Yes
Copyright/Royalty/Licensing Fees	Used to pay copyright, royalty, or licensing fees	B2P - PR	Yes

* PR = Payment Request, NR = Nonemployee Reimbursement

How Are Prizes/Awards Different from Fellowship/Grant Payments?

At Harvard, we sometimes use the term prize or award to describe money paid to an individual to support their research or travel. To the IRS the term “prize” has a specific definition and tax implications: **a prize is always based on a past accomplishment**, like winning a business plan competition, winning a debate, etc.

- **For U.S. tax residents**, Harvard doesn’t need to withhold taxes on prizes. However, Harvard must report to the IRS and issue prize recipients a Form 1099 MISC3 if the prize amount is $\geq \$600$ or the recipient receives aggregate of \$600 or more from Harvard in a calendar year.
- **For nonresident aliens**, Harvard **does** need to withhold taxes and report the prize income to the IRS and issue the recipient a Form 1042-S for any dollar amount. As with fellowship payments, this means that the amount of a prize paid to a nonresident alien **may be less** when paid, since taxes are withheld. Tax withholding is 30% for prizes or awards.

Fellowships, prizes or awards must be processed as a Payment Request (PR) in B2P. Local schools and units may collect receipts if a fellowship is based on actual expenses, however, the receipts are not required for submission of the payment since they are processed as a PR and considered taxable or reportable to the individual.

Definition of Prize

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

Definition Fellowship/Grant/Allowance/Stipend

Fellowship/Grant

- 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 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. For example, Harvard should not purchase a plane ticket for a student doing summer research abroad but award the travel grant to them through the B2P payment request process.
- A fellowship may take the form of a living, travel, or research award or allowance. This is not related to performance of services on behalf of Harvard.
- Examples:
 - 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)
 - Taxable travel reimbursement for a student presenting their dissertation

Fellowship vs. Prizes Reporting and Tax Withholding Requirements

Fellowship/ Grants- Support payments (i.e. plane tickets, health insurance, or other travel expenses) paid to or on behalf of an individual to aid in their own personal research or scholarship.		Prize/ Awards- Payments issued in recognition of a past accomplishments or achievements, such as those awarded for earning the highest GPA or winning a business plan competition.	
US Tax Residents	Nonresident Aliens	US Tax Residents	Nonresident Aliens
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 • 1099 MISC Box 3 	<ul style="list-style-type: none"> • Harvard is required to report these payments to the IRS and to the recipient on Form 1042-S as “other income” • 30% Withholding is required. Not eligible for tax treaty exemption

Harvard Business Expenses vs Fellowship/Grant/Allowance/Stipend

See [Fellowship Payments and Reimbursements for Students and Non-employee Postdocs/Fellows](#). See [Appendix B - Certification Template](#) to use when classifying the payment.

Business Expense

All business expenses must meet the criteria for University business expenses under the accountable plan rules outlined in the [Business Expense Reimbursement](#) and [Travel Policies](#); if not, they must be treated as income and submitted and paid through Accounts Payable as fellowship/grant payments.

- Expenses that are in direct support of University research or scholarship such as travel on behalf of Harvard
- Expenses required to fulfill duties of the student worker (e.g., required training)
- Job-related materials, equipment and supplies

Fellowship/Grant/Allowance/Stipend

- May also be called a stipend, scholarship, award, allowance, travel grant, research grant, etc.
- Fellowships, prizes or awards must be processed as a Payment Request (PR) in B2P. Local schools and units may base an award on actual expenses and may collect receipts, however, this type of payment is considered a taxable reimbursement and receipts are not required when processing this as a payment request since they are considered taxable or reportable to the individual.
- Payment or other value (plane ticket or other expenses) to support an **individual in pursuit of their professional development, personal learning or scholarship**
- A fellowship may take the form of a living, travel, or research award or allowance. This is not related to performance of services on behalf of Harvard

Employee Fellow vs Nonemployee Fellow Payments

Employee fellowship payments are made in exchange for **services that are primarily for Harvard's benefit**. These payments represent compensation (i.e., salary or wages).

Nonemployee fellowship payments as payments made to support an individual in the pursuit of their **professional development, scholarship or research**. Nonemployee fellowship payments are **not** payments in exchange for services, but rather are payments to allow someone to carry out their own research or educational activities under supervision or mentorship of a faculty member. Nonemployee fellowship payments often fund living, travel, or research expenses. See [Classification of Employee Fellow vs Nonemployee Fellow](#)

Factors suggesting an employee fellow payment	Factors suggesting a nonemployee fellow payment
<ul style="list-style-type: none">• Pay is based on percentage of effort.• Payment is tied to completion of one or more deliverables.• Harvard can immediately stop payments if the fellow interrupts the work.• The relationship between faculty member and fellow is more supervisor/worker than mentor/mentee.• The faculty member closely supervises the work.• The fellow is doing work previously done by an employee or is acting as a replacement or substitute for an employee fellow, such as a research assistant/associate. The faculty member or sponsor identified the research topic.	<ul style="list-style-type: none">• Payment is typically based on a flat amount.• Payment is for housing or other living expenses such as food, accommodation or health insurance.• Harvard cannot immediately stop payments if the fellow interrupts the work.• The relationship between faculty member and fellow is more mentor/mentee than supervisor/worker.• The faculty member has nominal supervision over the work.• The fellow identified the research topic (perhaps with advice from the faculty member).• The fellow applied for and obtained the funds from an outside sponsor (even if the sponsor required the funds to flow through Harvard).

Harvard Student on Stipend / Fellowship (non-employee - normally MST)

Harvard students receiving a nonemployment stipend or fellowship who are paid via PeopleSoft on the Monthly Stipend Process (MST) is overseen by a School’s Financial Aid Office. **Note that Harvard students receiving W-2 compensation for services (e.g., teaching or research on the Monthly Teaching Fellow Payroll) fall under the “employee” guidance for processing payroll payments.**

Enrolled Harvard Students – Monthly Stipend Process (MST)	
Student is Residing in the U.S. or using the funds for U.S. activities	<ul style="list-style-type: none">• For students who are in the U.S. or will be using the funds for U.S. activities• Process stipends or fellowships as normal through their financial aid office.• This applies to both U.S. Citizens and Permanent Residents as well as Nonresident Aliens (NRAs).• Appointments follow current set-up and tax reporting processes and requirements.• For NRAs, payments processed in PeopleSoft are considered U.S. sourced income and may be subject to U.S. taxation and reporting.• Payments may be direct deposited into a U.S. bank account.• Individuals located in Iran, Syria, North Korea, Cuba, the Crimea Region of Ukraine, or any other comprehensively sanctioned country may not be able to receive stipend payments due to country sanctions. These payments may need to be deferred until the individual is outside the sanctioned country. Contact your School or Unit’s Export Control Council Member for guidance. U.S. activities means are where the funds are being used (e.g., a fellowship used to purchase airfare to the U.S. or paying a down payment on an apartment in the U.S.). If the source of income cannot be determined, the payment must be treated as U.S. sourced. See. U.S. or Foreign-Source Income.

Harvard Student on Stipend / Fellowship (non-employee - normally MST) (cont.)

Harvard students receiving a nonemployment stipend or fellowship who are paid via PeopleSoft on the Monthly Stipend Process (MST) is overseen by a School’s Financial Aid Office. **Note that Harvard students receiving W-2 compensation for services (e.g., teaching or research on the Monthly Teaching Fellow Payroll) fall under the “employee” guidance for processing payroll payments .** Individuals being paid with sponsored funding may have additional restrictions around working outside of the United States as well as what may be charged to the award See the [OSP COVID-19 Resources](#) for Guidance Regarding Individuals Outside the United States and additional details and restrictions

Enrolled Harvard Students – B2P Stipends	
Accounts Payable Stipend Payments (includes students not in the U.S, not expected to enter the U.S. or funds are not used for U.S. activities)	<p>For students who are not in the U.S. or the funds will not be used for U.S. activities other types of scholarship/ fellowships / grants (such as professional development grants) not processed through the Financial Aid Stipend Process may be paid using the Buy-to-Pay system.</p> <ul style="list-style-type: none">• Departments should use an “In Lieu of Form,” selecting “fellowship/grant” with object code 6460 or 6461 and indicate the country of location for the activity which is required for correct for tax classification.• Follow any special handling requirements as necessary (e.g., wire transfer requests)• Individuals located in Iran, Syria, North Korea, Cuba, the Crimea Region of Ukraine, or any other comprehensively sanctioned country may not be able to receive stipends payments due to country sanctions. These payments may need to be deferred until the individual is outside the sanctioned country. Contact your School or Unit’s Export Control Council Member for guidance.• This process will enable the payments to be reviewed as foreign sourced income, without U.S. tax withholding, if all activities relating to these payments are conducted entirely outside of the U.S.• Individuals may have additional filing requirements in that country.

External Post Doc / Research Scholar Fellowship (MEP) (Non-Employee)

External post docs or research scholars receiving a fellowship / stipend from Harvard. **Note that individuals receiving W-2 compensation for services (e.g., teaching, research, administrative work) should be treated under the “employee” guidance.** Individuals being paid with sponsored funding may have additional restrictions around working outside of the United States as well as what may be charged to the award. See the [OSP COVID-19 Resources](#) for Guidance Regarding Individuals Outside the United States and additional details and restrictions.

External Post Doc / Research Scholar Fellows Located in the U.S. but Outside Massachusetts

- Process through PeopleSoft.
- This applies to both U.S. Citizens and Permanent Residents as well as Nonresident Aliens.
- If an individual is not sponsored by Harvard, contact [NRA Tax Team](#) for additional guidance.
- Appointments follow current set-up and tax reporting processes and requirements.
- Payments may be direct deposited into a U.S. bank account.

External Post Doc / Research Scholar Fellowship (MEP) (Non-Employee) continued

Individuals being paid with sponsored funding may have additional restrictions around working outside of the United States as well as what may be charged to the award See the [OSP COVID-19 Resources](#) for Guidance Regarding Individuals Outside the United States and additional details and restrictions.

External Post Doc / Research Scholar Fellows Located Outside of the U.S.

U.S. Citizens and Permanent Residents

- Process as normal through PeopleSoft.
- Payments can only be direct deposited into a U.S. bank account.

Nonresident Aliens (NRAs)

- Individuals located in Iran, Syria, North Korea, Cuba, the Crimea Region of Ukraine, or any other comprehensively sanctioned country may not be able to receive stipends payments due to country sanctions. Contact your School or Unit's [Export Control Council Member](#) for guidance.
- For individuals located in a country *not listed* above, follow the below steps.
 - Process a stipend / fellowship payment via Accounts Payable (B2P).
 - [Individuals with a U.S. bank account and email address can choose Zelle](#) ([HUECU members](#)) as their preferred payment method in their Supplier Portal profile to receive electronic payment.
 - If no U.S. bank account is available, confirm with the payee the best payment method. In many cases, a wire transfer request via special handling may be most appropriate since many countries will not accept a U.S. check and payment can be delayed due to international mail.
 - For recurring payments, Schools may wish to set up a standing order with the total amount and “releasing” funds each month for payment; or departments may use an [in lieu of form](#), selecting “fellowship/grant” and using object code 6455 and noting country location of the activity.
 - This process will enable the payments to be reviewed as foreign sourced income, without tax withholding, if all activities relating to these payments are conducted entirely outside of the U.S.

Suppliers

Considerations

In order to process payments to individuals or entities offering goods or services, rents, royalties, or other activities to Harvard, a supplier must be set up in Harvard's Supplier Portal (Buy-to-Pay/B2P). **An individual or department's preference is not relevant to the classification determination or payment method.**

Is the individual eligible to receive a payment from Harvard?

- Prior to any formal agreements being made, schools or units must confirm a supplier is legally allowed to be paid by Harvard. Refer to [Most Commonly Seen Visa Types of Foreign National Guest Speakers](#), [Independent Contractors Policy](#),
- Nonemployees receiving reimbursements for a valid Harvard business expenses (qualified, non-taxable).
- Payment method: Do not assume the default payment for a paper check is acceptable when paying foreign payees. Many foreign banks no longer accept paper checks, and international mail also remains unreliable. Invoices may also provide payment method requirements.

Is the supplier type classified correctly?

- Accurate classification facilitates compliance with federal and state regulations
- Suppliers must submit required legal documentation (e.g., W-8, W-9, GLACIER, etc.)
- **NOTE-** Improper classification may result in under withholding and/ or reporting, which can result in taxes being charged back to department to remain compliant with IRS regulations.

Supplier Checklist


- ☐ Is supplier already in B2P?
- ☐ Is supplier record active?
- ☐ Does supplier record need to be updated (Address add/change, [Paymode-X ACH](#), [Zelle](#))?
- ☐ Determine how to onboard the supplier. See [B2P Process Diagrams](#).
- ☐ If foreign individual, will the individual be entering the U.S. and/or do you know their visa type? Review [Supplier Onboarding Guidance](#) and other materials.
 - ☐ Confirm individual is legally allowed to receive payment from Harvard [Most Commonly Seen Visa Types](#).
 - ☐ If you know the individual **will be** entering the U.S., but do not know their visa type, select “**NA – Not Available**”. This will trigger a GLACIER email to the individual. The Supplier Onboarding Team (SOT) will update the visa type upon receipt of the GLACIER tax summary report and immigration documentation.
 - ☐ If you know the individual **will not** be entering the U.S. –select visa type “**NE – No Entry/No U.S. Presence**”. No GLACIER email will be sent to the individual since GLACIER is only required for U.S.-sourced income.
 - ☐ If you know the individual **will not** be entering the U.S. but is receiving royalty, copyright, or patent income, select “**NE-RC**” visa type.
 - ☐ Individuals being paid on **ADVTR** visa type will receive GLACIER to complete upon their arrival to the U.S. Their advanced travel grant will be taxed at 30%.
- ☐ How will the payment be made? Confirm payment delivery method with suppliers **prior** to processing payments. Many countries no longer accept paper checks so confirm if wire required, if so – USD or foreign currency? See [Treasury links](#) for further information on the wires process.

Quick Reference – Supplier Inactivation Dates*

Supplier Type	Inactivation Date
Business Expense Reimbursement – Foreign (BER)	90 days from activation date (see requirements)
1042-S Individual – Non-US Citizen (visa type is required; sample of special types and scenarios noted below)	
• ADVTR – Advance Travel Grant	90 days from activation date. Not able to reactivate without GLACIER
• NA – Not Applicable/Unknown	Should be updated to correct visa type by supplier or Supplier Onboarding Team once GLACIER and immigration documents are provided
• NE – No Entry (supplier is not entering the U.S. and has no U.S. presence)	90 days from activation date. See “NE-RC” if paying royalty, copyright, or patent income to an individual with no U.S. presence
• 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)	2 years from date of W-8BEN signature
• All other visa types	Auto inactivated based upon immigration documentation end dates
Individual: US Citizen / Legal Permanent Resident	N/A
Temporary Supplier	30 days from activation date
US Entity Sole Proprietorship, Partnership LLC, Corporation or Government Agency	N/A
Foreign Entity 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)*

Current Onboarding Supplier Options

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"> • Company or Individual • Legal Name* • Email Address
Request New Supplier	A Harvard requestor completes an online questionnaire to add a supplier in the B2P Supplier Portal (Temporary Vendors – Refund, BERS)	<ul style="list-style-type: none"> • Company or Individual • Legal Name* • Remit to Address • Email Address • Citizenship • Additional information may be required depending upon selection of Temporary or BER Vendor
Request Foreign Individual 	<p>A Harvard requestor completes an online questionnaire which will send an invitation as well as a GLACIER request to the individual early in the onboarding process.</p> <p>Note: Using “request a supplier” rather than “invite” will kick off the GLACIER request earlier in the onboarding process.</p>	<ul style="list-style-type: none"> • Company or Individual • Legal Name* • Email Address • Address • Citizenship • Visa Type (or NA if not known)
Proxy Request	<p>A Harvard requestor completes an online questionnaire on behalf of an individual who requires special assistance to register as a supplier. This is also known as “white glove registration.”</p> <p>Example: No internet access, VIP</p>	<p>ALL SUPPLIER INFORMATION AND DOCUMENTATION</p> <ul style="list-style-type: none"> • Company or Individual • Legal Name* • SSN/TIN • Visa Type • DOB • Remit to Address • ALL supporting documenting (including GLACIER and relevant tax documents)

Payment Scenario 1

A school has awarded a foreign national postdoc research scholar funds to complete personal research in Cambridge for a semester. The award will cover a **monthly** living allowance/stipend as well as housing expenses and expenses to travel to the United States.

How would you process these payments?

Payment Type	Process	Notes
Living Allowance	Stipend Payment Processed through PeopleSoft as an External Postdoc (MEP)	
Housing Expenses	Add to the stipend payment amount processed through PeopleSoft as an External Postdoc	
Expenses to Travel to the U.S.	ADVTR (Advanced Travel Grant) visa type in supplier portal.	Allows school to send funds to the foreign national up to 30 days before their entry into the U.S. It will withhold taxes at 30% until GLACIER is completed and uploaded into B2P.

Payment Scenario 2

A school has awarded a travel grant to a student for they to travel to Uummannaq, Greenland to do research for their own professional development.

How would you process the travel grant?

Payment Type	Process	Notes
Fellowship/Grant	B2P – Payment Request	<ul style="list-style-type: none">• Set up as an individual 1099 or 1042S Supplier in B2P.• Be sure to note the location of the activity (Greenland) since this may qualify as foreign-sourced income for foreign nationals.• Process as a payment request (PR), fellowship grant object code 6460.

Payment Scenario 3

An external postdoc (stipendee) incurs travel expenses while traveling to New York on the direction of a Harvard PI to attend a conference and is expected to gain scholarly information to be shared with Harvard colleagues such as a brown bag setting.

How would you classify and process the payment?

Harvard is benefiting from this work and is considered a nontaxable reimbursement.

Payment Type	Process	Notes
Business Expense	B2P – Nonemployee Reimbursement	<ul style="list-style-type: none">• Set up as an individual 1099 or 1042S Supplier in B2P.• Be sure collect all receipts and NR Reimbursement form and note that the purpose of this trip was for the benefit of Harvard.• Use Appendix B - Business Expense Certification to determine/show expense was for Harvard business.

What if a student is given funds to attend a conference in their field for their own education?

This would be considered a taxable reimbursement.

Payment Type	Process	Notes
Fellowship/Grant/Allowance	B2P – Payment Request	<ul style="list-style-type: none">• Set up as an individual 1099 or 1042S Supplier in B2P.• Considered taxable/reportable, process as a payment request (PR) fellowship/grant; no receipts are required. May use an <i>In Lieu of Invoice Form</i>.• Note the location of the activity.

Payment Scenario 4

A school has asked a student to go to a college in their hometown to represent Harvard at a recruitment event.

How would you classify and process the payment?

This is a nontaxable business expense. Harvard has asked the student to represent them at an event and they are doing it at the request of Harvard.

Payment Type	Process	Notes
Business Expense	B2P – Nonemployee Reimbursement	<ul style="list-style-type: none">• Set up as an individual 1099 or 1042S Supplier in B2P.• Be sure collect all receipts and NR Reimbursement form and note that the purpose of this trip was for the benefit of Harvard.• Use Appendix B - Business Expense Certification to show expense was for Harvard business.

Payment Scenario 5

A post doc is allowed to spend a portion of their institutional allowance on health insurance.

How would you classify and process the payment?

This is a personal benefit to the post-doc and the expense is treated as a fellowship payment. This includes payments that Harvard may make directly to the insurance company on the post doc's behalf.

Payment Type	Process	Notes
Fellowship/Grant/Allowance	B2P – Payment Request	<ul style="list-style-type: none">• Set up as an individual 1099 or 1042S Supplier in B2P OR process as a third-party payment if paying the insurance company directly.• Considered taxable/reportable, process as a payment request (PR) using the fellowship/grant object code.

B2P Tips and Tricks

Processing Payments

- Confirm payment delivery method with suppliers **prior** to processing payments. Many countries no longer accept paper checks, where an alternate means of payment is required.
- Review invoices details for any required payment delivery method (i.e., “must be processed by bank wire transfer”, etc.) **prior** to processing payment.
- Expect that international mail, especially now, remains unreliable in reaching many international locations.
- If the payee has a U.S. bank account, a Harvard issued check can be deposited into their account using their U.S. bank’s “mobile check deposit” service, even if they are not physically in the U.S.

See the [Procure to Pay Manual](#) on Invoice Requirements.

Processing Payments

IN LIEU OF INVOICE FORM

- INSTRUCTIONS:
- 1. Use this form *if required by your school/unit* when other documentation (i.e.: supplier invoice, award letter, speaker/presenter agreement, registration form) is not available
 - 2. Create a Payment Request (PR) in B2P
 - 3. Invoice Number format must be the following to prevent duplicate payments:
SUPPLIERNAME+DD+MMM+YY (e.g. JOHNHARVARD03APR20)
 - 4. Upload this form to your B2P PR

INVOICE NUMBER*: (25 character limit)
*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: PAYMENT AMOUNT:

SUPPLIER NAME: (Must match supplier name on B2P requisition)

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:

FORM PREPARED BY:

Documentation must be submitted with the payment request to act as an invoice for payment.

- This may be a completed [in lieu of invoice form](#), or an award letter or other documentation that gives sufficient information to determine the what, where, when, why of the payment. Be sure that the supplier name, type of transaction and documentation match.

Fellowship/Grant (6460-Students/6455-NonStudents) ▼
Copyright/Royalty/Licensing Fees (8570)
Donation (8450/8454)
Fellowship/Grant (6460-Students/6455-NonStudents)
Honoraria/Performer/Lecturer- Inside MA (8690/8692/8693)
Honoraria/Performer/Lecturer- Outside MA (8691/8694)
Prize/Award (6462-Students/8693-NonStudents)
Refund
Other (Give details under "Additional Information")

- Incomplete information can result in delayed payment and/or tax reporting or withholding for the payment.

See the [Procure to Pay Manual](#) on Invoice Requirements.

What Should I Include in the Business Purpose?

As required by the IRS, the following information MUST appear somewhere in the transaction:

Business Purpose Details	Examples of Complete, Acceptable Business Purposes for Fellowship or Prize
<ul style="list-style-type: none">• Who incurred the expense• What the expense entailed• When the expense was incurred• Where the expense was incurred• Why is this being paid by Harvard	<p>Fellowship Example – can use award letter if it contains information on the left or in Lieu of Form - PR) “Travel allowance for Maria Merian butterfly research project work completed in Germany 1/1/2023 – 1/31/2023.”</p> <p>Prize Example – can use award letter if it contains information on the left or payment use in Lieu of Form - PR) “Loeb Prize for Best Anthropological Thesis May 2023.”</p>

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 supplier selected, matches the name on the invoice and other back up materials. Be sure the description and invoice details also match (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.

Transaction Information

Type of Transaction (Suggested Object Code)

1

☐ 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

2

Description

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

254 characters remaining expand clear

3

Attachments

Add Attachments

Size

Date

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

4

Location of activity

Please select...

For more information on Location of Activity [click here](#)

Section	Description
1 Type of Transaction	<ul style="list-style-type: none">• Select the most appropriate type of transaction.• Only select "Other" if the transaction does not match one of the options listed (e.g., loan forgiveness, human subject payment, consulting, etc.).• Selecting "Other" can delay review and processing since it goes into a larger queue for tax review.
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 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.

Select the help button for additional information.

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Payment Reconciliation

Confirm payments have been received and cashed/reconciled in a timely manner.

- See B2P [Invoice and Payment Information](#)
- See the [HART Escheat Due Diligence Report](#)

Follow requirements if need to stop and reissue a payment found on [OTM website](#)

- The IRS requires income to be reported annually in the calendar year payments are originally disbursed by withholding agents.
- If Harvard has already issued an annual tax document (i.e., 1099 or 1042S) to a payee, a redeposit request to cancel a check can render a tax document incorrect, requiring Harvard to send the payee an amended form- which can also be problematic if a payee has already filed their annual returns.
- Cancelling and redepositing checks from a prior calendar year for any foreign individual or foreign entity supplier requires prior review and approval. See [tax compliance and annual reporting implications](#) for the payee and Harvard and [Check Inquiry Request Form and Process](#).

Reference Materials

[Business Expense Reimbursements Policy](#)

[Buy to Pay Materials and Forms](#)

[Definition of Receipts](#)

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

[Fellowships Toolkit](#)

[General Fellowship Information Brochure](#) – Handout for recipients

[GLACIER Instructions](#)

[Harvard Training Portal](#)

[Honoraria and Reimbursements for Foreign Nationals](#)

[Independent Contractors](#)

[IRS Publication 970 – Tax Benefits for Education](#)

[Moving, Recruiting, and Related Expenses](#) (Under Revision)

[Procurement Policy and Procure to Pay Manual](#)

[Reference Guide for Purchasers and Reimbursees](#)

[Sponsored Program Policies](#)

[Supplier Set-Up Materials \(B2P\)](#)

[Supplier Onboarding Policy and Process Information Session](#)

[Training Portal](#) –Including ROPPA Training, IC Training, etc.

[Travel Policy](#)

Appendices

- Reimbursement Process for Student Workers
- Sample Template for Business Expense Reimbursement
- US vs Foreign Sourced Income
- Grossing Up Fellowship Payments
- Processing Third-Party Payments
- Most Common Payment Types
 - Processing AP Payments to Nonstudents and Harvard Students
 - Summary of PeopleSoft Payment Types

Reimbursement Processes for Student Workers

Based on the Harvard Graduate Student Union Contract (HGSU-UAW)

Business Expenses

For student workers incurring valid Harvard business expenses, the school or unit should directly pay preferred providers in advance for all authorized and approved lodging, transportation (e.g., airfare), and registration fees. These expenses must be preapproved by the local department and the student must supply complete information (who, what, where, when, why) to the department processing this payments in a timely manner.

	If Paid by Harvard	If Paid Out of Pocket by Student
Airfare	Pay in advance by University card or invoice Follow Harvard's Travel prohibitions until further notice.	Student is reimbursed after the trip and upon submission of receipts and other required documentation
Hotel	Pay in advance by University card or invoice	Student is reimbursed after the trip and upon submission of receipts and other required documentation
Registration Fee	Pay in advance by University card or invoice	Student is reimbursed after the trip and upon submission of receipts and other required documentation
Other Reimbursable Expenses (meals, taxis, etc.)		Student is reimbursed after the trip and upon submission of receipts and other required documentation

Fellowship/Grant

For student workers receiving a fellowship/grant, the school or unit may issue the payment directly to the student prior to the event or activity.

	If Paid by Harvard	If Paid Out of Pocket by Student
All Expenses	Harvard should never pay a vendor directly but issue the payment to the student. The payment is taxable income and may incur tax withholding depending upon the student's tax status.	Fellowship/grants must be paid directly to the student. The payment may be made prior to the event or activity as a "in lieu of" payment request. No receipts are required, and the object code 6460 is best practice. Departments must note the location of the event or activity for tax reporting purposes.

See [Travel Policy](#) and [Fellowship Payments and Reimbursements for Students and Non-employee Postdocs/Fellows](#) for additional guidance.

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Sample Template for Business Expense Certification

Appendix B--Sample Template for Student/Non-employee Postdoc----- Business-Expense-Certification¶

Student/Non-employee/Postdoc Name:¶		¶
Date of Expense:¶		¶
Business Purpose:¶		¶
¶		¶
¶		¶
¶		¶
¶		¶
¶		¶
Section I or II to be completed by University Faculty Member or Other Authorized Harvard Employee (check one):¶		¶
Section I, Required Course Costs--I certify that this expense may be excluded from income because the recipient is a candidate for a degree, and is:		¶
a.→ The expense is for tuition and fees required for enrollment or attendance at an educational institution, or for fees, books, supplies, and equipment required for courses of instruction; or¶	¶	¶
b.→ The payment or reimbursement is by Harvard for Harvard course-related travel expenses or other Harvard course-related expenses, where such expenses are necessary in delivering the Harvard course and are budgeted as part of the course cost. ¶	¶	¶
Section II, Business-Expense Reimbursements--I certify that this student/non-employee/postdoc expense is in direct support of University business because:		¶
a.→ The expense is appropriate to charge to a faculty member's grant funds or to other departmental funds; or¶	¶	¶
b.→ Expenses are incurred in the course of activity where the purpose and original intent is for the University to obtain useful results from the project/research; or¶	¶	¶
c.→ Expenses are incurred in the course of activity where results or research will be used by the University; or¶	¶	¶
d.→ Expenses are incurred in the course of research or other activity performed to fulfill University's obligations to an outside funding entity; or¶	¶	¶
e.→ Expenses are incurred in the course of activities that advance research or scholarship supported by a Harvard department or being undertaken by a PI¶	¶	¶
Certification by University Faculty Member or Other Authorized Harvard Employee:¶		¶
Printed Name:¶	¶	
Signature:¶	¶	Date:¶
¶	¶	¶

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

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.

1. If the supplier is not already in B2P, send them an [invitation to complete a registration](#). If the supplier is already set up, skip to step 2.
2. Once the supplier is activated, submit a [supplier maintenance request](#) (request type: site add) to add the third party address to the supplier’s profile. When formatting the address in the request, the first address line must read “OR [third party name]”. It is crucial to include the word “OR” as it allows the third party to deposit the check.
3. Process a [payment request](#) and use the third party address as the remittance site. If the supplier is set up for electronic payments (e.g., Paymode or Zelle), process the payment as a [special handling](#) to ensure that a check is sent out to the third party.

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>Have Sally Smith set herself as a supplier in B2P. Submit a supplier maintenance request adding the third-party address to the supplier’s profile. Be sure to include the word “OR” on the 2nd address line. It should look like:</p> <div><div>SALLY SMITH OR HARVARD PILGRIM HEALTHCARE 123 MAIN STREET CAMBRIDGE, MA 02138-0001</div><div>}</div><div>Harvard Pilgrim Healthcare’s address</div></div>	<p>Once the new site is set up, create the payment request and choose Sally Smith (the benefitted individual) as the vendor for payment with the “OR HARVARD PILGRIM HEALTHCARE” ADDRESS.</p> <div>SALLY SMITH OR HARVARD PILGRIM HEALTHCARE 123 MAIN STREET CAMBRIDGE, MA 02138-0001</div>	<p>Process the payment request in B2P, noting the who, what, where, when, why in the business purpose for appropriate tax review and reporting.</p>

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

- Cross out the original amount of the invoice and write in the grossed-up amount
- “Gross up” a third-party payment might be required if paying a nonresident alien (see previous slide)

Most Common Types of Payments to NON-EMPLOYEES

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.](#)

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 a 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 AP Payments to Nonstudents

Scenario	Payment Type	Description	Object Code	Payment System	US Tax Residents	Nonresident Aliens
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	8693 - Prizes to Nonempl, Nonstud	AP B2P Payment Request	Harvard must report to the IRS and issue prize recipients a Form 1099 if the prize amount is \$600 or more. 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
Payment to support an individual in pursuit of their professional development, personal learning or scholarship.	Fellowship or Grant	A fellowship may take the form of a living, travel, or research award or allowance. This is not related to performance of services on behalf of Harvard. Fellowships include but are not limited to payments made to or on behalf of students, nonemployee postdocs, teaching fellows, and visiting scholars.	6455-Not Harvard Students, Other Grants+Awards (Non-payroll), GENERAL	AP B2P Payment Request	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	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

Summary of AP Payments to Harvard Students

Scenario	Payment Type	Description	Object Code	Payment System	US Tax Residents	Nonresident Aliens
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 Student Account	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 (used for scholarship in excess of tuition and require fees and 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.

Summary of AP Payments to Harvard Students (continued)

Scenario	Payment Type	Description	Object Code	Payment System	US Tax Residents	Nonresident Aliens
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 Best practice is for Harvard to pay for expenses directly.	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

Summary of AP Payments to Harvard Students (continued)

Scenario	Payment Type	Description	Object Code	Payment System	US Tax Residents	Nonresident Aliens
Is this a reimbursement for expenses incurred in direct support of University research or scholarship?	Harvard Business Expense	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	Use appropriate object code description.	B2P – NR Check to student Must follow accountable plan rules (receipts, timely processing, Harvard business).	Not Taxable	Not Taxable

Summary of Common PeopleSoft Payments

Type	PeopleSoft Pay Group	Employee or Nonemployee for Tax Purposes?	Commonly Used Object Codes	Description
Stipendee Postdocs (External Postdocs)	MEP	Nonemployee Stipendee	6450, 6452	These appointments include Postdocs who may work under the direction of a Harvard principal investigator, but to whom payment is in the form of a stipend.
Employee Postdocs (Internal Postdocs)	MIP	Employee	6150, 6152	These appointments include Postdocs who work under the direction of a Harvard principal investigator
Monthly teaching fellows, research assistants, others	MTF	Employee	6140	Individuals are working, performing services for Harvard.
Monthly stipend recipients or students receiving financial aid	MST	Nonemployee Stipendee	6440	Recurring stipend/living allowance for graduate student. Processed by financial aid office.
Weekly Payroll	WTM	Employee	6110,6120	Individuals are working, performing services for Harvard.
Other academic appointments	MTF	Employee	6030	Individuals are working, performing services for Harvard.