CAMP PAYING: INNOVATIVE SOLUTIONS

Spelunking in the Cave of Tax Topics

Presented by Heather Vinograd

PC West: Eleanor Roosevelt College Room | 2:30 – 3:15
SALES & USE TAX
Applies to purchase of tangible personal property

CALIFORNIA NONRESIDENT WITHHOLDING
Applies to services provided in California by nonresidents

FEDERAL NONRESIDENT WITHHOLDING
Applies to income earned/royalties/fellowships exercised in the U.S.
UC San Diego is subject to sales/use tax

Tax is imposed on the sale of tangible goods and some services

Some exemptions apply but we are generally subject to sales/use tax

Research tax exemption

Reduces rate to 3.812% for equipment used for R&D in California at least 50% of the time over the next year timeframe (rate changes 1/1/17)
SALES OR USE TAX

What’s the difference?

• Sales Tax
  • Applies to suppliers in CA with a business presence (offices, stores, employees or inventory)
  • Imposed for the privilege of selling goods in CA
  • Seller is liable for sales tax
  • Remitted by seller
  • 8%

• Use Tax
  • Imposed on the use of tangible goods acquired from a seller that is not subject to sales tax (no CA presence)
  • Purchaser (UC San Diego) is liable for use tax
  • Remitted by purchaser
  • 8%
NON-TAXABLE ITEMS
Common Non-Taxable Items (SALES/USE)

• Services
  • Advertising, consulting, installation, training, repair labor
• Intangibles like remote internet access, warranties, licenses, memberships, fees
• Software/books received electronically
• Items owned by the federal government
• Shipping charges
• Items purchased for resale
Effective in April, Marketplace will be integrated with a software application that will calculate sales/use tax on all invoices that contain a taxable line item.

We need your help with giving special attention to these fields.
TAXPAYER ID NUMBERS (TIN)

Why they matter

• Collecting complete and accurate tax information protects both UC San Diego and the payee
  • U.S. citizens/resident aliens (green card issued) use W-9; Foreign citizens use GLACIER; Foreign entities use W-8BEN-E
• UC San Diego can legally request TINs; payee should supply
• Types = SSN, EIN, ITIN
• Foreign persons/entities can have a U.S. TIN
• Foreign TINs can make a difference in tax liability
Franchise Tax Board requires 7% withholding on payments for services performed in California by nonresidents, when total payments exceed $1,500 in a calendar year.

- Individuals who do not have a permanent residence in CA
- Business entities that are not registered to conduct business in CA
- Use the Form 590 to document exemption status

Payments subject to withholding include:

- Independent contractors/consultants
- Leases, rents, royalties and prizes
General rule: UC San Diego is required to withhold federal income tax on all payments made to or on the behalf of a nonresident alien.

Taxable income = Stipends, consulting fees, honoraria, speaking fees, royalties, performance fees, prizes, awards.

Withholding rate depends on a variety of factors.

Collection of information to assess tax liability:
- For individuals: GLACIER (used UC wide)
- For entities: W8-BEN-E
• Beneficial owner = Person/entity earning the income and required to include on a tax return.
• Information used to determine the applicable tax rate:
  - U.S. Tax Residency Status
  - Visa type
  - Country of citizenship
  - Country of tax residence
  - Type of income being paid
  - Type of services provided
  - Location of services provided
• Scholarship – Financial support for the pursuit of study
• Fellowship – Financial support for the pursuit of research

INCOME TAX
A note on Scholarships/Fellowships

TAXABLE

- Compensation for services (teaching, working in a lab, administrative support)
- Non-service scholarship/fellowship

NON-REPORTABLE

- Qualified (tuition, required fees)

SELF-REPORTED*

- Non-qualified (room & board, equipment, travel)

*Different treatment applies to Federal non-residents
HELPFUL REMINDERS
To facilitate accurate tax application

- Give special attention to taxable indicators, accounts codes and delivery addresses
- Obtain residency status and help set expectations for federal nonresidents at the beginning of the transactions
- Be specific about the location where services are performed; ask service provider to do the same
- Describe intangibles and services in a way that someone outside of the department understands
- Forward all documentation received from the payee via BFSupport
- Communicate with us and support the process
TAX ADVISORY SERVICES
Integrated Procure-to-Pay Solutions

For more information:
• Contact us through BFSupport
• Schedule a departmental training
• Visit our Blink pages

Heather Vinograd  Susselys Virgil  Heather Rutkowski  Elisa Mayer
Assistant Director  Accounting & Tax Manager  Tax Advisory Senior Analyst  Tax Advisory Specialist
Don’t forget to stop by and visit us in the Price Center East Ballroom