

**REIMBURSEMENTS AND REFUNDS TO INDIVIDUALS AND EMPLOYEES  
U.S. AND NON-RESIDENT**

*Supplements HR Policies & Procedures: "Engaging Individuals and Independent Contractors and Consultants"*

In May 1999 the University reviewed and clarified policies and procedures for paying people in a variety of situations. These were outlined in the memo "Engaging and Paying Individuals, Domestic and Foreign" dated May 10, 1999. These policies are extremely important to both the individual and to the University, as the Federal government will apply penalties and fines to both parties if payments are made without proper documentation and/or fail to comply with the regulations of the IRS and the INS.

We recognize the frustration that departments and payees experience in completing paperwork, and the additional time to process payments to non-resident aliens. Since the rollout of these updates, we have been collecting your feedback and concerns, and have continued to define procedures for additional types of payments to people as well.

We are pleased to announce that travel expense reimbursements supported by receipts to non-resident aliens may be processed through a streamlined process, per recent IRS interpretation. This and additional processes which supplement procedures outlined in the policy promulgated in May 1999 are detailed in this document. Please note that travel expense reimbursement with other payments including honoraria and services to non-resident aliens maintain the process defined in May 1999.

We have updated "Taxation Matrix for Non-Residents" at <http://nuinfo.nwu.edu/finsys/payment/nrtax.pdf> to assist you in identifying the different types of payment transactions to non-residents, and the forms or documents required; as well as the "Departmental Checklist for Non-Resident Independent Contractors" at <http://nuinfo.nwu.edu/finsys/payment/chcklst2.pdf>.

Comprehensive documentation and forms to pay people in a variety of circumstances are provided on the Paying Individuals web-site at <http://nuinfo.nwu.edu/finsys/payment/paypeop.htm> Thank you for your attention to these policies.

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### **TRAVEL EXPENSE REIMBURSEMENTS WITH RECEIPTS**

Travel expense reimbursements documented by original receipts are non-taxable for U.S. Residents and \*Non-resident aliens and may be processed through Accounts Payable (A/P) if, and only if, no additional payment for services is also made. For both U.S. Residents and Non-resident aliens, receipts should be provided for all expenses. Original receipts are required for all expenses of \$25 or more. If receipts are not available for expenses of \$25 or more, an Exception Form must be submitted (see Travel Policy, Travel Expenses section at <http://nuinfo.nwu.edu/finsys/polcydoc/t&ebook.htm>).

#### **\*Travel Expense Reimbursement with Receipts to Non-employee (Non-resident)**

*See first heading <http://www.northwestern.edu/finsys/payment/nrapkt.html>*

1. Dept creates PD using appropriate object code (e.g., 6710 for travel)
2. Department sends the travel expense reimbursement information (original itemized receipts, signed Visitor's T&E including business purpose of the expense, etc) to POPS Manager, 2020 Ridge, EV Campus Rm. 272 in a CONFIDENTIAL envelope. Dept includes a note inside specifying TRAVEL REIMBURSEMENT NON-RESIDENT.
3. POPS Manager enters a special vendor code "R" in the VEND table.
4. POPS Manager notifies the department that the code is in the system so they can complete and approve the PD.
5. POPS gives the paperwork to A/P for payment.
6. POPS Manager deactivates vendor code after payment has been issued.

#### **Travel Expense Reimbursement with Receipts to Employee (U.S. Resident or Non-resident)**

*No change, see <http://nuinfo.nwu.edu/finsys/polcydoc/travellmenu.htm>*

1. Dept sends e-mail to POPS with employee information to request E vendor code for employee.
2. Dept creates PD using appropriate object code (e.g., 6710 for travel) and applies approvals.
3. Dept sends paperwork to A/P including itemized original receipts and signed T&E including business purpose of the expense.

#### **Travel Expense Reimbursement with Receipts to Non-employee (U.S. Resident)**

*No Change, see <http://nuinfo.nwu.edu/finsys/payment/uspkt.htm>*

1. Non-employee completes and signs Vendor Request Form for Individuals
2. Dept sends Vendor Form to POPS for entry into vendor table.
3. Dept creates PD using appropriate object code (e.g., 6710 for travel) and applies approvals.
4. Dept sends paperwork to A/P including original itemized receipts and signed Visitor's T&E. including business purpose of the expense.

### **NON-TUITION REFUNDS**

Refunds (non-tuition) are a non-taxable item for U.S. Residents and Non-resident aliens and may be processed through A/P. Departments need to send a memo to POPS to authorize a refund and include supporting documentation of the original payment to NU. The Manager of POPS will establish a temporary vendor code with an "R" prefix; and will delete the vendor code after payment is made.

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**For tuition refunds, contact Student Accounts.**

### **Non-tuition Refund Procedures:**

1. Dept creates PD using appropriate object code (8675-Revenue Refund). Department sends the refund information (cash receipt documentation, canceled check, refund form) to POPS Manager, 2020 Ridge, Ev Campus Rm. 272 in a CONFIDENTIAL envelope. Dept includes a note inside specifying REFUND.
2. POPS Manager enters a special vendor code "R" in the VEND table.
3. POPS Manager notifies the department that the code is in the system and they can complete and approve the PD.
4. POPS Manager gives the paperwork to A/P for payment.
5. POPS Manager deactivates vendor code after payment has been issued.

### **NON-RESIDENT INDIVIDUALS (Non-employees) PERFORMING ACTIVITIES OUTSIDE OF U.S.**

Payments to Non-resident aliens for activities (excluding royalties) not on U.S. soil are non-taxable and may be processed through Accounts Payable. Non-resident payment packages for independent contractors do not need to be completed in entirety by the payee. However, if services are performed, the Contracted Services Form for Non-residents (CSF) must be completed to document the services and location where they were performed (<http://nuinfo.nwu.edu/finsys/payment/csf.pdf>). The originating department needs to send a memo to POPS attesting that the individual is a Non-resident alien and that the activities were performed on behalf of NU, but outside of the U.S. The Manager of POPS will establish a vendor code with an "X" prefix. The Manager of POPS will deactivate the vendor code annually.

### **Non-resident Activities Outside of U.S. Procedures:**

1. Dept creates PD using appropriate object code for services (e.g., 5010). Dept sends memo attesting to activities performed on behalf of NU outside of U.S. by Non-resident alien, Non-resident CSF (if applicable), and/or invoice to POPS Manager, 2020 Ridge, and EV Campus Rm. 272 in a CONFIDENTIAL envelope. Memo should include complete payee information: name, home address, country.
2. POPS Manager enters a special vendor code "X" in the VEND table.
3. POPS Manager notifies the department that the code is in the system and they can complete and approve the PD.
4. POPS gives the paperwork to A/P for payment
5. POPS Manager deactivates "X" vendor code on annual basis.

### **ROYALTIES**

Royalties are taxable to U.S. Residents and Non-residents both within and outside of the U.S. Royalty payments to U.S. Residents, including employees, may be processed through POPS and A/P. For royalty payments to Non-resident aliens including employees, see Non-resident payment processing guidelines.

### **Royalty payments to Non-Employee (U.S. Resident) Procedures**

1. Payee completes and signs Vendor Code Request Form for Individuals.

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2. Dept sends Vendor Form to POPS for entry into vendor table as I vendor.
3. Dept creates PD using appropriate object code (8670) and applies approvals.
4. Dept sends paperwork to A/P.

### **Royalty payments to Employee (U.S. Resident) Procedures**

1. Dept sends memo to POPS Manager, requesting an individual vendor code for an employee who will be paid royalties; include name, social security number, and home address of employee.
2. POPS Manager creates I vendor code and enters "EMP ROYALTY" into SORT field. (The I code is used to generate tax Form 1099 for royalties payments made during the calendar year to the employee).
3. Dept creates PD using appropriate object code (8670) and applies approvals.
4. Dept sends paperwork to A/P.

### **Royalty payments to Non-residents (Employee and Non-employee)**

See Non-resident payment processing: <http://www.northwestern.edu/finsys/payment/nrapkt.html>

## **RESEARCH SUBJECT FEES**

Departments throughout the university make payments to individuals participating in research studies. Fees paid to research subjects are considered taxable payments for services by a U.S. Resident or Non-resident alien. The following procedures apply:

- Research subject payments to U.S. Residents, excluding employees, may be processed through POPS and A/P.
- Research subject payments to Non-resident aliens, excluding employees, see Non-resident payment processing guidelines: <http://www.northwestern.edu/finsys/payment/nrapkt.html>
- For payments to employees, process through Payroll on an Additional Pay Form.
- Cash payments up to \$50 (cumulative for the calendar year) for research subject services may be paid directly to participants, U.S. resident and Non-resident, employee and non-employee.

### **Research Subject Payments to U.S. Residents (Non-employees)**

1. Payee completes and signs Vendor Code Request Form for Individuals.
2. Dept sends Vendor Form to POPS for entry into vendor table as I vendor.
3. Dept creates PD using appropriate object code (8660) and applies approvals.
4. Dept sends paperwork to A/P; documentation includes signature of payee on research subject form verifying that payee participated in research for specified amount, and date.

### **Research Subject Payments to U.S. Residents (Employees)**

- Dept completes Additional Pay form and submits to Payroll for processing.

### **Research Subject Payments to Non-residents (Non-employees)**

See Non-resident payment processing guidelines: <http://www.northwestern.edu/finsys/payment/nrapkt.html>

### **Research Subject Payments to Non-residents (Employees)**

- Dept completes Additional Pay form and submits to Payroll for processing.

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**Cash Payments to U.S. Residents/Non-residents/Employees/Non-employees for Research Subject Fees**

De minimus research subject fee payments up to \$50 (cumulative for the calendar year) may be processed through check advance or petty cash transactions. Using these methods, cash is advanced or reimbursed for the purpose of paying research subject fees; the department is responsible for maintaining a log of research subject names, addresses, social security numbers, date of research, and signatures of each subject verifying receipt of payment amount. The log is returned to Accounting Services or the Bursar for reconciliation of the advance or reimbursement of the petty cash, respectively. Advances or petty cash payments not adequately supported by original signature logs are charged to the custodian of the fund as taxable personal compensation. See Non-travel check advance and cash handling procedures:

<http://www.northwestern.edu/finsys/policydoc/plcymenu.html>