



Honorariums

Summary

This policy outlines circumstances in which payment of honoraria is appropriate, defines eligibility, tax implications and payment procedures.

Applicability and Authority

This procedure applies to all Caltech departments and supersedes any practices in existence prior to its effective date.

Definitions

- **Backup Withholding:** A percentage of the payment withheld as required by the Internal Revenue Service (IRS) and Franchise Tax Board (FTB) for certain payees who do not have or provide a valid US tax identification number.
- **California Source Income:** Funds earned in the State of California, which is subject to a withholding of 7% for non-California residents.
- **Foreign National:** An individual who is a citizen or permanent resident of a country outside the U.S.
- **FTB:** “Franchise Tax Board” of California.
- **Honoraria/Honorarium:** A “thank you” payment of nominal value for voluntary services.
- **IRS Form 1042S:** A document used to report non-employee compensation, or miscellaneous income, to the IRS for payees who are foreign nationals.
- **IRS Form 1099-MISC:** A document used to report non-employee compensation, or miscellaneous income, to the IRS for domestic payees.
- **Tax Treaty:** An agreement between two countries to mitigate double taxation.
- **Visa:** The certificate or other endorsement from the immigration authorities of a country indicating that the holder is allowed to enter, leave, or stay for a specified period of time in a country.
- **Work Authorization:** A U.S. Citizenship and Immigration Services (USCIS) document proving the holder is authorized to work in the United States.

Procedure

An honorarium is a token of appreciation paid to an individual for volunteer services performed by an individual for which payment is generally not required. The recipient may not set the honorarium amount. The services involved vary but are generally associated with oral presentations made at Institute sponsored functions and events. Such services typically involve a one-time or brief engagement such a guest lecture

or other speaking appointment performed on a voluntary basis. The arrangement between the individual and the Institute is informal and does not involve a contract, and invoicing is not required. The payment of an honorarium is entirely at the discretion of the Institute, of which it is not obligated legally, contractually or by tradition to make to such payments.

Appropriate Use of Honorarium Payments

Honorariums can be made only to individuals, not entities, organizations, corporations, groups, etc. The following list provides typical activities for which honoraria may be paid to an individual:

- A special lecture or short series of lectures
- A colloquium
- Short term seminar or workshop
- An individual serving as guest speaker at a commencement exercise or other similar function

Non -Honorariums Payments

Honorariums do not include payments made for the following activities covered under other Institute policies:

- Athletic Officials
- Caltech employees/faculty. (Wages and other non-expense payments made to Caltech employees must be requested and paid through the Payroll Department)
- Compensation for overtime, employment or secondary job assignments
- Employee merit and service awards
- Human subject testing
- Independent contractor and consultant payments
- Instructors, adjunct faculty
- Non-cash gifts, awards, and incentives provided to employees and non-employees
- Performers, actors, entertainers
- Payments for goods, supplies, services, utilities, taxes, insurance and freight
- Temporary and casual labor

Tax Implications

Domestic Payees: For domestic payees, an honorarium constitutes taxable income and is reportable to the Internal Revenue Service if the sum of annual payment(s) to the payee exceeds \$600 annually.

- Domestic payees will be required to complete and submit to Supplier Management, IRS form W-9 before payments can be issued.
- Domestic payees who reside outside the State of California are subject to non-resident withholding of 7% if income is earned in California.

Domestic payees can determine what income is reportable by clicking here:

http://procurement.caltech.edu/documents/137-taxreportingandwithholding_domesticpayees.pdf

Foreign Nationals: Honorariums paid to foreign nationals incur special associated tax implications. Caltech must make all payments to foreign nationals in accordance with immigration law and IRS regulations.

- Depending on an individual's visa type and work authorization status, he or she may be prohibited from receiving payments, from receiving reimbursements or from having payments made on his or her behalf by the Institute. Even payment of bona fide business expenses may be prohibited by immigration restrictions. It is strongly encouraged that Campus departments understand these restrictions before offering honoraria or reimbursement of travel expenses to invited guests. Contact the Tax Reporting group in Payment Services for assistance.
- Determine a prospective speaker's visa and work authorization status before services are rendered. In many cases, Caltech can make alternative payment arrangements, such as paying the speaker's sponsoring agency, which in turn can pay the speaker, but only if these arrangements are made BEFORE the speaker performs services.
- An honorarium paid to a foreign national will be treated as compensation for services and will be subject to income tax withholding and reporting. The Institute is required to withhold on the compensation payment at a 30% rate, although this rate may be reduced or eliminated if there is an income tax treaty between the United States and the foreign individual's country of residence. A treaty analysis must be completed by Payment Services prior to issuance of payment. Tax treaty benefits are not automatic and a treaty analysis requires an additional 10 to 15 days to process.
- In addition to Federal withholdings, California Nonresident Withholding of 7% may also apply if the speaker resides outside the State of California and the income is earned within the State of California.
- Foreign nationals who do not have a valid U.S. taxpayer ID number are automatically subject to 37% Federal and California withholding regardless of payment amount.
- Foreign nationals may claim benefits under an existing tax treaty; an eligible non-resident individual must file a form with the Institute. This requires the foreign individual to provide a U.S. taxpayer identification number and identify the treaty article providing the exemption. See links in the "Forms and Applicable Policies/Procedures" section for more information or contact the Tax Reporting unit of Payment Services.

Foreign payees can determine what income is reportable by clicking here:

http://procurement.caltech.edu/documents/138-taxreportingandwithholding_foreignpayees.pdf

Travel Reimbursements

The reimbursement or direct pay of travel expenses are made in accordance with immigration and IRS requirements. An expense payment made to a domestic or foreign national will not be considered to be income and will not require withholding or be reportable, provided that the speaker:

- Performs a service for the Institute (i.e., delivers a speech, lecture, etc.) and

- Substantiates any expenses with receipts and an accounting of mileage, etc.

Reimbursement of expenses must follow Travel Department policy and procedures. See links in the “Forms and Applicable Policies/Procedures” section for Travel Department requirements for expense reimbursement.

Limitations

The payment of an honorarium is limited to \$1,500 per event or activity. Exceptions to this amount require approval of the appropriate Division Administrator and/or Department Head.

An honorarium may not be paid under any circumstances from funds derived from federal contracts or grants, unless the terms of the particular contract or grant expressly authorize such payment.

Requesting Honorarium Payments

A request for payment of an honorarium must be submitted to the Specialty Team in the Payment Services group of Procurement Services. Complete a “Payment Request Form” including a brief statement of justification for the payment. Please see the “Payment Request Procedure” for additional information on completing this form. Please allow 3 to 5 business days to process the payment.

The payee must first be established as a payee in the supplier record and the appropriate tax records submitted. If the payee is a foreign national, please allow an additional 10 to 15 business days to complete a treaty analysis and determine withholding (when required). Tax forms not submitted timely will cause a delay in payment. Payments cannot be accomplished until tax compliance forms are submitted accurately.

Forms and Applicable Policies/Procedures

Policy and Procedures:

- Caltech Travel Policy
 - Honorarium Policy
 - Payment Request Procedure
- http://procurement.caltech.edu/policies_procedures

Forms:

- Expense Reporting Forms
 - Foreign National Data Form
 - Foreign National Visa Matrix
 - IRS Form W-9
 - Payment Request Form
 - Payment Request Usages List
- <http://procurement.caltech.edu/forms>

Exceptions

Any exceptions that require a deviation from this policy shall be reviewed and approved by the Director of Procurement Services and coordinated with the Procurement and Payment Services business units.