

JACKSONVILLE STATE UNIVERSITY
Manual of Policies and Procedures

POLICY NUMBER: I:02:07:03 **DATE:** October 1, 2004

REVISION/REVIEW DATES: May 2008, Aug 2011

SUBJECT: Supplemental Payments, Awards Made to or on Behalf of JSU Employees Funded Through Authorized Institutionally Related Foundations

APPROVED: William A. Meehan, President

PURPOSE

To ensure compliance with IRS income and employment tax withholding regulations concerning payments made to or on behalf of JSU employees via JSU Institutionally Related Foundations.

POLICY

In general, all payments made to University employees for compensation of services will be treated as employee wages and will be processed through the University's payroll system. In addition to base pay, this includes supplemental payments (including extra compensation) that are outside the normal scope of their employee appointment. In addition to supplemental payments for the performance of services, payments made to University employees for awards, such as outstanding teaching awards or other forms of employee recognition awards, will be treated as compensation. In circumstances where an employee is given a choice between accepting a cash payment or having those funds directed into a University account, IRS tax law requires that the amount of the award be treated as employee wages, regardless of whether the employee elects to receive the cash or not. Employer provided "non-cash" taxable compensation of fringe benefits, such as employer provided vehicles, and club memberships are subject to federal income, state income and Medicare tax rules. Internal Revenue Code Section 1.61-1 states that all compensation paid to, or on behalf of, an employee constitutes Wages, which are subject to income and employment tax withholding unless specifically excluded by IRS code.

Retired faculty or staff members will still be considered to be employees unless they provide evidence that he/she has an established trade, business, or professional entity having a tax identification number separate and distinct from the individual's social security number.

PAYMENTS MADE VIA FOUNDATION ACCOUNTS

It is the department's responsibility to submit all non-reimbursement-related requests for payments to JSU employees utilizing JSU Institutionally Related Foundation funds through Human Resources. Human Resources will review requests and determine if the payment is subject to income and employment tax withholding. If the payment is subject to tax withholding, then the payment request will be processed through the University's payroll system. The Foundation check request will reflect this fact and the Foundation will make payment directly to the University for the payroll amount plus fringe benefits. The check will be sent to the Payroll Office and will be deposited into the appropriate Vice President's payroll control accounts.

Payments processed through the University's payroll system will generally be subject to federal and state withholding, Medicare, state retirement, supplemental retirement, if applicable, and TIAA/CREF. Only TIAA/CREF may be specifically excluded. The following represents a partial listing of non-cash taxable compensation or benefits identified by the University as being subject to tax withholding and Form W-2 reporting as taxable income.

CAR LEASING – VEHICLE USAGE (PERSONAL)

It is the department's responsibility to submit the monthly vehicle usage reports for its employees to the Payroll Office by the 16th of the month following the usage. It is also the department's responsibility to submit to the Payroll Office by January 15th of each calendar year, a listing of all their employees who have a vehicle that may be used for personal mileage.

GIFT CERTIFICATE

Gifts not readily convertible to cash and less than \$50.00 in amount are not considered taxable. Any other gift, including cash or checks of any amount, are considered as taxable income. This does not apply to length of service awards made once every five years and never during the first five years of employment.

MOVING EXPENSE

The value of employer paid moving expenses that are non-qualified is subject to withholding whether paid to an employee or a third party. Qualified moving expenses reimbursed an employee or third party is non-taxable.

RENT

The market value of University provided housing or payment of housing costs where housing is determined to be a personal benefit.

RESPONSIBILITY

The Vice President for Finance and Administration is responsible for this policy.

EVALUATION

This policy will be evaluated on a biennial basis by the Chief Human Resources Officer.

Foundation Requests for Payment

1. Is the payment for the performance of service?

Yes - go to question 2.
No - go to question 3, No

2. Is the payment to any individual?

Yes - go to question 3.
No - go to question 3, No

3. Is the individual a JSU employee?

Yes - Payment will be processed through JSU payroll. Go to question 4.

No - Payment may be made directly from the Foundation via "Memorandum Check Request". Foundation will determine tax consequences for payments made on behalf of a JSU employee and report taxable transactions to the Controller's Office, Payroll Unit, for inclusion of the "benefit" for tax reporting purposes.

4. If the individual is a JSU employee, is the employee?

Classified - go to question 5.

Non-classified - Follow the "Extra Compensation" policy and procedure ([Policy II:05:02](#)) for the institution. Submit the "Check Request Memorandum" to the Foundation. The Foundation will send a check payable to the University which will cover the amount of compensation as well as applicable fringe benefits.

5. Will the classified employee receive extra pay or compensatory time?

Extra Pay -

- Requires VP approval.
- Report hours worked on employee's time sheet.
- Hours will be paid at normal hourly rate up to 40 hours worked.
- Hours worked over 40 will be paid at time and one-half.

Compensatory Time -

- Report hours worked on time sheet.
- Hours worked over 40 will earn one and one-half hours of comp time for each hour worked over 40.

Note: Classified employees cannot receive lump sum payments. Extra pay must be based on the number of hours the classified employee worked.