

Recommended Policies to Avoid Financial Risks and Prepare for an Audit

This is a listing of policies that have tax implications. All may not apply but should be considered by all colleges and universities.

1. Travel
2. UBIT
3. Non-Resident Alien
4. Sales Tax
5. Awards and Prizes
6. Moving and Relocation Expenses
7. Cell Phones
8. Honoraria
9. Payments to Human Research Subjects
10. Hiring and paying service providers abroad
11. Joint ventures with for profit entities
12. Political activity of departments
13. Tuition reductions
14. Form 1099 reporting
15. Advertising Revenue
16. A meetings policy - yes, a policy on meetings that include food for employees on a regular basis

So, Why are these policies important from a tax perspective? Each one has some tax implications.

1. Travel: There are several tax implications to this one. Is travel reimbursed according to the 'Accountable Plan?' Is it clear what constitutes 'overnight travel'? Have you listed the limitations on 'Spousal Travel?'
2. Unrelated Business Income Tax:
Every campus has income subject to UBIT – this policy should detail what UBIT is, with examples and who to contact with questions.
3. Nonresident Alien:
A nonresident alien or Non US Citizen requires special and unique tax monitoring and reporting requirements.

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4. Sales Tax:

An often neglected area of tax obligations but a sales tax audit can be more harrowing than an audit from the IRS. Why? The number of transactions that occur can lead to a huge audit assessment. This policy should specify what is subject to sales tax and what is not, the procedures for collecting and reporting sales tax. This is taking on more importance because of sales by departments over the Internet. Do you operate in more than one state?

5. Awards and Prizes:

If your employees receive awards or prizes, there could be a tax implication. Is it for length of service or a safety award? Is it a gift card? Both can have tax consequences unless spelled out in a policy.

6. Moving and Relocation Expenses

Do you know the rules for reimbursing moving expenses? What is qualified and what is non-qualified moving expenses?

7. Cell Phones

You still need a policy despite what you may have heard about the loosening up of the regulations for cell phones – there are still some tax requirements for cell phones.

8. Honoraria

Paying honoraria to speakers and visitors generates tax reporting responsibilities – especially if the payments are to a non US citizen.

9. Payments to Human Research Subjects

Yep, these are taxable, but there are exceptions- your policy should state the exceptions and define an amount that is acceptable to be paid without tax issues.

10. Hiring and paying service providers abroad

With the increase in focus on payments made to overseas vendors, new laws have been passed that have added to burden on universities for reporting these payments.

11. Joint ventures with for profit entities

Entering into a joint venture with a for-profit entity can bring forth unintended tax consequences to your university. There is a need to correctly structure these agreements that can be defined in a policy.

12. Political activity of departments

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Regardless of being a state or public school or a private, independent school, there are limitations you want to avoid regarding political involvement.

13. Tuition reductions

A written policy or statement about tuition reductions is necessary to comply with tax law. Sometimes these are referred to as Sec. 117 and Sec. 127 plans.

14. Form 1099 reporting

What is the policy for determining who gets a Form 1099 and what information is required before the payment can be approved?

15. Advertising Revenue

Virtually all advertising revenue is subject to the Unrelated Business Income Tax. Do you have advertising revenue in your Athletic Department. This should identify what constitutes Advertising and how it is reported on the tax return of the university.

16. A meetings policy - yes, a policy on meetings that include food for employees on a regular basis

Did you know that regularly scheduled meetings with food supplied by the institution could mean this is a taxable fringe benefit to the attendees.

I have samples of all of these policies to guide you but recommend they be customized to 'fit' your unique school, policies and procedures.