

COLLEGE of CHARLESTON

OFFICIAL POLICY

2.3.2.1.1

Taxpayer Identification Number

7/22/16

Policy Statement

The College of Charleston (CofC) requires a taxpayer identification number for every person/organization it pays to ensure compliance with the Internal Revenue Service (IRS) code **Publication 1281** (*Backup Withholding for missing and incorrect Name/TIN(s)*). The purpose of this policy is to ensure proper support for all payments and tax withholding, related to faculty, staff, students, and vendors.

Policy Manager and Responsible Department or Office

Departments, the Procurement Office and the Controller's Office share the responsibility for requesting Forms W-9 or W-8 Forms from vendors for TIN purposes.

Departments/Offices Affected by the Policy

This policy affects all departments and offices of the College of Charleston.

Policy

The College will not do business with any vendor who will not provide a correct TIN to the college. The only exception to this rule is related to foreign vendors (NRAs). Payments to foreign vendors will be reviewed by the Controller's Office and taxes in the appropriate amount will be withheld and deposited with the Internal Revenue Service.

DEFINITIONS:

Backup withholding

Persons (payers) making certain payments to payees must withhold and pay to the IRS a specified percentage of those payments under certain conditions.

Effective December 31, 2002, the backup withholding rate/percentage is **28%** (For nonresident aliens, the withholding rate is generally 30% for services, or 14% for taxable scholarships). Payments will be subject to backup withholding if:

- a. The payee does not furnish a TIN to the requester;
- b. The IRS notifies the payer that an incorrect TIN was furnished;
- c. The IRS tells the payee that they are subject to backup withholding;
- d. The payee does not certify to the requester that they are not subject to backup withholding.

Taxpayer Identification Number (TIN)

A TIN is a 9-digit Social Security Number (SSN) issued by the Social Security Administration (SSA), or a 9-digit Employer Identification Number (EIN) issued by the IRS.

Individual Taxpayer Identification Number (ITIN)

An ITIN is a 9-digit individual Taxpayer Identification Number (ITIN) issued by the IRS and may be used as a TIN to meet federal tax obligations only. Resident aliens and nonresident aliens, who are not eligible for SSNs, use ITINs. An ITIN has the same format as a SSN and always begins with the number 9. The fourth and fifth digits are always within the range of 70 through 88.

United States of America (U.S.) person

For Federal purposes, a U. S. person includes, but is not limited to:

- a. An individual who is a citizen or resident of the United States;
- b. A partnership, corporation, company or association created or organized in the U.S. or under the laws of the United States of America;
- c. Any estate (other than a foreign estate) or trust.

Nonresident alien

A non-U.S. citizen who doesn't pass either the green card test or the substantial presence test. Nonresident aliens are taxed only on their income from sources within the U.S. and on certain income connected with the conduct of a trade or business in the U.S.

Payments subject to backup withholding include, but are not limited to:

- a. Interest (1099-INT);
- b. Dividends (1099-DIV);
- c. Rents (1099-MISC);
- d. Royalties (1099-MISC or 1042-S);
- e. Commissions (1099-MISC);
- f. Non-employee compensation for services (1099-MISC or 1042-S);
- g. Reportable gross proceeds paid to attorneys (1099-MISC); and
- h. Other fixed or determinable gains, profits, or income payments reportable on Forms 1099-MISC (Miscellaneous Income), or 1042-S (Foreign Person's U.S. Source Income Subject to Withholding).

In the event that a payee does not provide a TIN in the manner required, the payment may fall in to an exempt category, and the Controller's Office is not required to backup withhold. Payees who may be exempt from backup withholding are listed in the "Instructions for the Requester of Form W-9". Exemptions include, but are not limited to:

- a. Tax-exempt organizations;
- b. Government agencies;
- c. Corporations (For certain payments); and
- d. Other entities listed in the instructions of Form W-9.

PROCEDURES

- A.** Form W-9 Request for Taxpayer Identification Number and Certification is used to request the taxpayer identification number (TIN) of a U. S. person/organization (including a resident alien) and to request certain certifications and claims for exemption. The U. S. person uses the Form W-9 to certify his/its TIN is correct or that no backup withholding is required on payments received from the payer. In addition, this form is necessary for determining how companies are organized (e.g., not for profit, professional corporation, foreign corporation, etc.).
- B.** Form W-8 series is used to request the taxpayer ITIN, and permanent residence of the nonresident alien (NRA). Depending on the type of payment and under certain circumstances, the W-8 may be used to claim a tax treaty. If the NRA is providing services in the U.S. (U.S. sourced income), additional forms, such as Form 8233 (Exemption from Withholding on Compensation for Independent (and Certain Dependent) Personal Services of a Nonresident Alien Individual) and an Affidavit may be needed in order to claim a tax treaty.
 - 1. The College may refuse to pay invoices from vendors who do not have a TIN on file. (Note: If a payee refuses or neglects to provide a TIN, the College must begin backup withholding immediately on any reportable payments and begin the required annual solicitation (request) for the TIN. Backup withholding must continue until a TIN is provided.) The College will not continue to do business with a vendor that does not provide a correct TIN.

2. The Procurement Office will require a Form W-9 for each new vendor prior to a purchase order being issued.
3. College departments will request a Form W-9 or W-8 for each new vendor paid with an EA (Expenditure Authorization) form.
4. A Form W-9 will become inactive if a vendor does not receive any type of payment within one calendar-year period.
5. A Form W-8 is only good for the year signed by the vendor, and three subsequent years (e.g. vendor signs form in 2016, the form is good for 2016, 2017, 2018, and 2019). After this time period, a new Form W-8 is required before further payments can be made.
6. The Procurement Office will maintain the W-9 and W-8 forms for all vendors.
7. The College will exercise its right to use a substitute Form W-9 ensuring that its content is similar to the official IRS Form W-9 and it satisfies certain certification requirements. Substitute forms for the W-8 form are prohibited.

C. The most common types of TINs are:

1. The Social Security Number (SSN) issued by the Social Security Administration;
2. The Employer Identification Number (EIN) issued by the IRS to business entities for federal tax reporting purposes; and
3. The Individual Taxpayer Identification Number (ITIN) issued by the IRS to resident aliens and nonresident aliens who are not eligible for SSNs.

D. Names and TINs to Use for Information Reporting

1. The full name and address as provided on Form W-9 will be shown on the information return filed with the IRS and on the copy furnished to the payee.
2. If payments are made to more than one payee or the account is in more than one name, the name of the payee whose TIN is shown on the information return is reflected on the first name line and any other names of any other individual payees will be shown in the area below the first name line.
3. For a sole proprietor, the individual's name will show on the first name line and on the second name line, the business name or "doing business as (DBA)," if provided.
4. The Procurement and Controller's Offices will respond to any IRS notices of incorrect or non-matching payees' names and TINs.

Related Policies, Documents or Forms

Internal Revenue Service (irs.gov)

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Next Review Date: 10/15/2020

POLICY APPROVAL

(For use by the Office of the Board of Trustees or the Office of the President)

Policy Number: 2.3.2.1.1 (Taxpayer Identification Number)

President or

Chairman, Board of Trustees

Michael J. McLaughlin, Pres.

Date: 7/22/16