

President's Engagement Prize 2022

Taxability and Reporting
of Prizes and Awards

Disclaimer

The University is not permitted to provide personal tax advice. This presentation is an overview of what to expect. Any questions related to your personal tax liabilities and filing should be directed to a tax professional.

Disbursements and Use of Prize Funds

Disbursed in two separate payments:

- June 2022
 - to cover July 2022 through December 2022 expenses
- January 2023
 - to cover January 2023 through June 2023 expenses

Use of funds:

- Project implementation expenses
- Living expenses

Taxability and Reporting Requirements

US Citizens and Resident Aliens

All prizes of \$600 or more are reportable by the University on Form 1099-MISC

- Amount is subject to Federal Income Tax and potentially subject to State Income Tax reporting

Payments will cross calendar years:

- Tax year 2022 Form 1099-MISC by January 31, 2023 for calendar 2022 payments
- Tax year 2023 Form 1099-MISC by January 31, 2024 for calendar 2023 payments

Recipient must complete a W-9 prior to disbursement of funds

Taxability and Reporting Requirements

Nonresident Aliens

All prizes are reportable by the University on Form 1042-S

- A nonresident alien is subject to US income tax on certain income from sources within the US
- 30% tax withholding is required unless the individual qualifies for an income tax treaty exemption

Payments will cross calendar years:

- Tax Year 2022 Form 1042-S by March 15, 2023 for calendar year 2022 payments
- Tax Year 2023 Form 1042-S by March 15, 2024 for calendar year 2023 payments

Recipient must complete and provide the following information prior to disbursement of funds:

- W-8BEN
- Passport photo
- Completed FNIS record
- I-94 document or stamp of entry in passport

Please note, prize may be subject to taxation in home country. Please consult a tax professional.

Other Tax Considerations

Establishing a Limited Liability Corporation

LLC is a hybrid type of legal structure that provides the limited liability features of a corporation and the tax efficiencies and operational flexibility of a partnership.

- “Owners” of an LLC are referred to as “members.” Depending on the state, the members can consist of a single individual (one owner), two or more individuals, corporations or other LLCs.
- All federal income taxes are passed on to the LLC's members and are paid through their personal income tax filing.
- While the federal government does not tax income on an LLC, some states do, so check with the respective state's tax agency.

Other Tax Considerations cont.

- Consult with Legal Counsel and a Tax Advisor
- Obtain Federal Business Tax ID
 - The IRS has announced ([IR-2019-58](#)) that applications for an employer identification number (EIN) must include a responsible party with a US Social Security number (SSN) or individual taxpayer identification number (ITIN), beginning May 13, 2019.
- Determine Federal Tax Obligations
 - Income Tax
 - Estimated Tax
 - Self-Employment Tax
 - Employment Tax
 - Excise Tax
- Determine State Tax Obligations
 - Sales and Use Taxes
 - Other State and Local Taxes
 - Business Licenses