

Honorarium Payments Policy

POLICY CONTENTS

Policy Statement

Reason for Policy

Who Should Read this Policy

Policy Text

Procedures

Related Information

Definitions

Additional Contacts

Forms

Responsibilities

FAQ

Revision History

Appendices

Effective Date: April 12, 2013

Last Updated: March 30, 2016

Responsible University Officer:

Vice President for Business and Finance

Policy Owner:

Associate Vice President for Accounting
and Business Services

Policy Contacts:

Dennis Miller

POLICY STATEMENT

An honorarium may be paid to an employee or a non-employee as an expression of gratitude for a personal service provided by the individual on behalf of the University. Such services typically involve a one-time or short-term service such a guest lecture or other speaking engagement performed on a voluntary basis. The payment of an honorarium is entirely at the discretion of the University, which is not obligated legally or by tradition to make to such payments. Payments for more than nominal amounts or for services performed over an extended period of time should be treated as services that the University would be required to pay as an additional employee job or as an independent contractor fee for service, depending on the individual's relationship to the University.

Departments may establish more restrictive procedures than those included in this Policy, if desired.

REASON FOR POLICY

This Policy establishes the standards for making honorarium payments paid by the University. The Policy conforms to the Internal Revenue Code (IRC), applicable Treasury Regulations, and the California Revenue and Taxation Code.

WHO SHOULD READ THIS POLICY

Any employee who incurs honorarium expenses on behalf of the University; the members of the Leadership Team, as well as supervisors and Business Managers who supervise an employee incurring such expenses.

POLICY TEXT

An honorarium payment may be authorized to acknowledge a gratuitous, short-term University service performed by an individual with a scholarly or professional standing. The payment of an honorarium should be infrequent (i.e., the same individual should not receive an honorarium on a regular basis) and for activities where the University is under no obligation to make the payment.

The types of activities for which an honorarium may be paid include, but are not limited to, the following:

- A lecture or short series of lectures.
- Participation in a seminar or workshop as a guest speaker or panelist.
- Participation in a University-sponsored program review.
- Conducting a peer review.
- Performing a music recital or other creative activity.
- Appraising an article or manuscript to be submitted for publication.

The payment of an honorarium should not be made in lieu of travel expenses incurred by the individual in performing the services. See **Travel and Entertainment Policy**.

Non-Honorarium Activities

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

- Employee merit and service awards. See **HR Service and Merit Awards Information**.
- Employee compensation for overload and secondary job assignments. See **Additional Pay Policy**.
- Independent contractor and consultant payments, including payments to speakers and entertainers. See **Independent Contractor Policy**.
- Non-cash gifts, awards, and incentives provided to employees and non-employees. See **Non-Cash Gifts, Awards, and Incentives Policy**.
- Cash awards paid to students for academic recognition or incentives, which must be processed as scholarships through the Financial Aid Operations and Services Office. See **Student Employment Policy**.

In addition, any payment made in response to a contractual arrangement between the University and a service provider (e.g., a service request processed by Facilities Management) would not be paid as an honorarium.

Honorarium Limit

The payment of an honorarium to an employee or non-employee is limited to \$1,500 per event or activity. Exceptions to this amount require approval by the President or applicable Vice President, Vice Provost, or Dean. See **Authorization**.

PROCEDURES

Authorization

Sponsored Projects and Other Restricted Funds

Method of Payment

Payments to a Third Party

Documentation

Violations

RELATED INFORMATION

Type	Title
USF	Conflict of Interest Policy
USF	HR Service and Merit Award Information
USF	Independent Contractor Policy
USF	Non-Cash Gifts, Awards, and Incentives Policy
USF	Additional Pay Policy
USF	Student Employment Policy
USF	Travel and Entertainment Policy

DEFINITIONS

Term	Definition
Banner System	The enterprise information system used to record the business activities of the University. The core system suite is made up of the Advancement, Finance, Financial Aid, Human Resources, and Student modules, and includes additional functionality in document management, job scheduling, reporting, and workflow.
Business Manager	A University employee, designated by the President, Vice President, Vice Provost, or Dean who is the financial manager for the University account(s) being used for the expense. This may include the President, Vice Presidents, Vice Provosts, or the Deans.
Honorarium	A nominal amount paid to either an employee or a non-employee in recognition of a short-term service performed by the individual. Such payments are made entirely at the discretion of the University as an

expression of gratitude for services received that legally or traditionally do not require the payment of a fee.

Concur

The University's on-line system for payment requests, expense reimbursements, cash advance requests, and reporting

ADDITIONAL CONTACTS

Subject	Contact	Phone	Email
ABS	Neva Nguyen	415.422.2772	nnguyen25@usfca.edu
Disbursement Services	Dennis Miller	415.422.2102	millerd@usfca.edu
Payment Request	Dennis Miller	415.422.2387	ap@usfca.edu
Payroll Services	Gale Bettencourt	415.422.2535	gbettencourt@usfca.edu

FORMS

Form	Use	Location
EPAF	On-line form used to originate payroll payments in the Banner System.	ABS
Payment Request	Used to initiate payment requests in the Concur system.	ABS
Speaker Agreement	Contract used to engage a guest speaker.	ABS

RESPONSIBILITIES

Department/Business Manager

- Obtains approval for honorarium payments in accordance with this Policy and other University policies.
- Obtains documentation to substantiate honorarium payments for submission to the Concur system with Payment Request.
- Prepares EPAF in connection with an employee honorarium payment.
- Ensures budgeted funds are available for payment.
- Reviews and approves charges in Concur and the Banner System, as appropriate.

- Ensures that any honorarium payment disbursed to a third-party is documented in advance, as provided in **Appendix A**.

Accounting and Business Services

- Ensures that honorarium payments are disbursed in accordance with this Policy.
- Ensures that honorariums are taxed in accordance with this Policy and applicable federal and state regulations governing such service payments.

President, Vice Presidents, Vice Provosts, and Deans

- Reviews requests to pay honorariums as an exception to this Policy for departments under his or her supervision.
- Ensures that departments in his or her division are in compliance with this Policy

FREQUENTLY ASKED QUESTIONS

(N/A)

REVISION HISTORY

- 03/30/2016 – Revised to eliminate the University Procurement Card as a payment option for honorariums and to include other technical changes.
 - 04/12/2013 - First publication of Policy.
-

APPENDICES

Appendix A - Request to Pay an Honorarium to a Third Party—Sample Statement.

PROCEDURES

AUTHORIZATION

Honorarium payments, including an exception to the \$1,500 payment limit, require prior approval by the President, Vice Presidents, Vice Provosts, or Deans. These individuals are responsible for determining that budgeted funds are available for the payment and that it complies with this Policy and related University policies.

SPONSORED PROJECTS AND OTHER RESTRICTED FUNDS

Sponsored project funds and other restricted funds may not be used for the payment of an honorarium unless specifically authorized in the contract or grant agreement or other document governing the use of the funds.

METHOD OF PAYMENT

Honorarium payments are processed by the Office of Accounting and Business Services (ABS) through the payroll or accounts payable systems, depending on the status of the payee as a University employee or non-employee.

Employees

An honorarium paid to an employee shall be paid through the University's payroll system as a stipend payment reportable on Internal Revenue Service (IRS) Form W-2 and subject to withholding for applicable income, social security, and Medicare taxes. An honorarium paid to a nonresident alien employee is reportable on IRS Form 1042-S if the payment is exempt under an income tax treaty. To initiate an honorarium payment to an employee, the department must complete an Electronic Personnel Action Form (EPAF) describing the nature and details of the payment. The EPAF is then transmitted to Payroll Services via the Banner HR System.

Non-Employees

The method of payment required for paying an honorarium to a non-employee is a Payment Request, which must be initiated by the department through the Concur system. A payment will be issued within 10 business days after Business Services receives a properly approved Payment Request, including an IRS Form W-9 with the individual's taxpayer identification number.

The University Purchasing Card may **not** be used for making honorarium payments to a non-employees.

If the total honorarium payments made to a non-employee equal \$600 or more during a calendar year, the payments must be reported on IRS Form 1099. Such payments are generally not subject to withholding. The aggregate amount of all honorarium payments made to a nonresident alien are

reportable on Form 1042-S and are subject to withholding at a standard federal rate of 30%, unless a treaty exemption applies. Honorariums paid to nonresidents of California are also subject to 7% withholding if the total payments made to the individual are more than \$1,500 for the calendar year for services performed in California.

PAYMENTS TO A THIRD PARTY

As a general rule, an individual who assigns or transfers compensation for personal services to another individual or entity is not relieved of his or her income tax liability, regardless of the motivation behind the transfer. Thus, an honorarium earned by an individual is reportable as additional income to the individual performing the services, even if the actual payment is made to another party such as a charity or the University itself.

An individual may, however, indicate in writing to the University *before* the services are performed that the person declines the honorarium and requests (but does not demand) that the honorarium be:

- Donated by the University to a specific charity;
- Retained by the University and used by the University in a certain manner (e.g., to fund scholarships or support a particular program or department); or
- Retained by the University with no suggestion as to how the funds should be used.

Because the individual declined the honorarium before it was earned, the person will not be treated as receiving taxable income. The University will consider and may choose to abide by the individual's request, but it is not required to do so and at all times retains the full discretion and control as to how the honorarium funds declined by the individual are to be used. In no event, should an honorarium declined by an employee be paid into the employee's research account or other fund controlled by the employee. Honorariums donated to a charity must be contributed in the name of the University of San Francisco. Payments may not be made, however, to a political party, campaign, committee, or group engaged in any attempt to influence the general public with respect to legislative matters, elections, or referendums. See **Conflict of Interest Policy**.

A sample statement that may be included in a letter to an individual who requests that an offered honorarium be donated to a charity or retained by the University is provided in **Appendix A**.

DOCUMENTATION

Departments are responsible for providing sufficient documentary evidence to support the business purpose of all honorariums paid by the University. Documentation should be in the form of an offer letter inviting the individual to participate in a University activity and describing the services to be performed and the amount of the honorarium payment. An email may be provided as documentation if it includes the same information. Additionally, an event flyer or announcement should be included for a speaking engagement that includes the date, time, and topics discussed.

VIOLATIONS

A violation of any portion of this Policy may result in disciplinary action, up to and including termination of employment and/or legal action. In addition, an employee may be personally liable for any amount expended in violation of this Policy.

Request to Pay an Honorarium to a Third Party-- Sample Statement Appendix A

The following statement should be included in a letter to an individual who requests that an offered honorarium be contributed by the University to a specific charity or retained by the University for some other purpose. Note that if the honorarium is used to make a charitable donation, it must be made in the name of the University of San Francisco.

STATEMENT

We acknowledge your request that in lieu of receiving an honorarium for _____ [speaking engagement, panel discussion, etc.] on _____ [date], you would like to donate these funds to _____ [the University, a charitable organization (specify), etc.].

Please note that if you decline an offer to receive an honorarium prior to performing any services, and then make a non-binding suggestion to ask that the funds be donated to a charity, you will not be treated as having received any taxable income. We acknowledge that you have declined to receive the honorarium prior to performing the services for which the honorarium was to be paid. We have also considered your request and agree to donate the funds as you have asked.

Because you will not be taxed on these funds, you will not be eligible to claim a charitable deduction in connection with this donation. Please consult your tax advisor if you have any questions regarding the tax treatment of this transaction.

RETURN TO TOP