

## **A Guide to Paying Honoraria at Princeton University**

The following document was transcribed from a meeting held March 7, 2008. Speakers were Lorraine Sciarra, Senior University Counsel with the Office of the General Counsel; Mary Idzior, Director of Visa Services; Debbie Herrington, Assistant Treasurer and Tax Director; and Rich Olexa, Accounts Payable and Travel Manager.

### Lorraine Sciarra

What is an honorarium?

- An honorarium is a payment made to a professional person for services for which fees are not legally or traditionally required.
- An honorarium is a payment for services that are not related to an individual's official duties.
- An honorarium is a payment granted in recognition of a special service such as a speech or for distinguished achievement.

When you're thinking about making an honorarium payment, ask yourself these 3 questions:

- Is it legal to pay the honorarium? (This only really comes into play when you're trying to pay a foreign national. All US citizens and permanent residents may be awarded honoraria.)
- Is the payment subject to tax?
- What policies and procedures must be followed?

### Mary Idzior

Is it legal to pay honoraria?

- U.S. Citizens and Permanent Residents – **YES**
- Non-U.S. Citizens or Permanent Residents – **MAYBE**  
We can pay honoraria to those in B1, B2, WT (Waiver Tourist), and WB (Waiver Business) status or anyone with an EAD (Employment Authorization Document) card from USCIS (U.S. Citizenship & Immigration Services). Those with J1 visas can also receive an honorarium as long as a certain process is followed (see below).

For visitors in B1, B2, WB, WT, or specific F1 status, an [Affidavit of Honoraria Eligibility](#) should be completed and signed by the individual.

### B-1, B-1, W-B and WT

In October, 1998 Congress passed a law concerning payment of honoraria (ACWIA). This law made it legal for educational institutions to pay visitors for honoraria and related expenses as long as the payment was for "usual academic activity" lasting no more than 9

days, and the recipient had not received more than 5 such payments in the previous 6 months. Though there still are no implementing regulations for this law, it has been proposed that “usual academic activity” includes lecturing, teaching, sharing knowledge, master classes, readings, and performances that are open to the public, free of charge with no sale of general admission tickets.

### J Exchange Visitors

Department of State regulations give permission for J-1 scholars to give occasional lectures or consultations and to be paid wages or other remuneration (honorarium) provided they can obtain a letter of authorization from their J-1 Program Sponsor (the institution where they are working or being hosted) giving them permission to do such. They must already be in the US on a J1 visa.

The Office of Visa Services provides guidelines for Princeton sponsored J-1 Scholars who wish to give [occasional lectures and/or consultations](#). J-1 Scholars at other institutions should consult with their J-1 Program Sponsor to determine what they need to request such permission to be paid honoraria by Princeton.

### H-1B Temporary Workers

We cannot pay honoraria to H-1B visa holders from other institutions. Likewise, those at Princeton holding H-1B visas cannot receive honoraria from other institutions. They can perform such activities as long as it is incidental to their employment at the other institution but the H-1B visa requires that there must be no monetary gain or other remuneration for the activity (i.e., NO honoraria payment). We also cannot pay their sponsoring program or institution for their services.

### O-1: Alien of Extraordinary Ability

We cannot pay honoraria to O-1 visa holders from other institutions. Likewise, those at Princeton holding O-1 visas cannot receive honoraria from other institutions. We also cannot pay their sponsoring program or institution for their services. However, it is possible for an O-1 petition to include an itinerary of places the individual will work or perform and if Princeton or the activity at Princeton is listed on the itinerary, we can pay the petitioner/agent for the person’s services. This situation usually applies to artists, performers, or poets.

### Other Status

For those with all other visa status, they would need to be able to be paid by Princeton and would need to have employment authorization: F-1s, J-2s, G-4s, L-2s, pending permanent residents.

Debbie Herrington

Is the honoraria payment subject to tax? Yes.

	<b>US CITIZEN</b>	<b>NRA</b>
<b>COMPENSATION</b>	Taxable	Taxable
<b>WITHHOLDING</b>	none	30%
<b>REPORTING</b>	1099	1042-S

Lorraine Sciarra

If you want to provide the entire honorarium to a non-resident alien (NRA)

What can you do?

- Gross up the payment – Not advisable except under extraordinary circumstances. Very Inefficient.
- Take advantage of a tax treaty

Grossing up the payment will provide funds to a non-resident alien who is from a country who does not have a tax treaty with the U.S. and would consequently have 30% of their payment withheld for taxes. In order to do this the formula is:

Intended gross amount (the amount you want the recipient to receive) / (1-tax rate)

Example: you want to determine what the gross needs to be to result in a net \$3,000 payment with a 30% tax rate:  $\$3,000 / (1 - 30) = \$3,000 / .70 = \$4285.71$

Tax treaties are by far the best way to go. To determine if your country of residence has a tax treaty with the U.S. see IRS Publication 901. The advantage of a tax treaty is:

- there is no tax to pay
- there is no 30% withholding.

Tax Treaty Eligibility

- A relevant tax treaty must exist between the U.S. and the person's country of residence, and the individual must meet the eligibility requirements of that treaty.
- The Individual must complete IRS Form 8233.
- The Individual must have a Social Security Number, or if not eligible to receive a Social Security Number, an Individual Taxpayer Identification Number.

#### How Do I Know if There is an Applicable Tax Treaty?

[IRS Publication 901](#) lists all tax treaties

Country

Maximum presence in US column (some have limits)

Independent personal services (these are honoraria)

For example China has a maximum presence of 183 days for independent personal services. So you can only pay someone from China an honorarium if they are in the US for 183 days or less on this particular visit.

#### Debbie Herrington

Expense Reimbursements -- Even though we can't pay an honorarium to someone we can reimburse their expenses tax free as long as we follow IRS Accountable Plan Standards.

#### IRS Accountable Plan Standards

1) Business expense requirements are met (see above)

2) Written substantiation:

- Amount and description of expense
- Name and address of establishment
- Dates of departure and return (was the trip primarily for business – more days spent for business purpose than for personal/pleasure use)
- Days spent conducting business
- Destination
- Business purpose of trip
- Original receipts

3) Travel advances exceeding actual expenses must be returned to employer.

IRS Business Expense Requirements:

- Business Relationship – must be paid to an employee or independent contractor.
- Ordinary & Necessary business purpose
- Away from home – in pursuit of business. Away from your principal place of business. Must be away for a period that requires rest. Coming to PU from NY does not apply to either.

What policies and procedures must be followed?

- Request honoraria on Vendor/Honoraria Voucher  
Supporting Documents
  - W-9: For Payments to U.S. Citizens

- 8233: Treaty Benefits (needed 30 days before the payment is accepted)
- Honoraria Acceptance Form
- Affidavit of Honoraria Eligibility

**Princeton cannot make payments to third parties**

Charities

Reimbursements to other entities who paid the visitor

If expenses are reimbursed or paid in lieu of paying an honorarium, the Business Travel Expense Report (Travel Voucher) is completed and must be accompanied by original receipts.

Rich Olexa

What does the foreign national need to do?

- IRS Form 8233 – Princeton must have this in order to allow the treaty exemption for a payment to a foreign national. Once received in the Treasurer’s Office, Princeton completes the bottom of the 8233 and sends to the IRS. To complete a Form 8233 the honoree must have a SSN or ITIN (from the IRS for those who are not eligible for a SSN). If the individual has applied for a SSN or ITIN, the W-7 is included with the Form 8233. If they have applied and been denied, they must provide the denial letter from the Social Security Administration. The purpose of the W-7 is to prove that the SSN or ITIN has been applied for.
- Vendor/Honoraria Voucher – same policies as we have for employees
- W-9- Request for US Resident Tax ID#
- IRS Form 8233 -Request for Treaty Exemption. This is filed by non-resident aliens once a year and should be filed before a payment is sent for processing.
- [Affidavit of Honoraria Eligibility for B1 B2 WB WT or F1 Visa Holders](#)

Sponsored projects and honoraria

Honoraria are not allowable as a charge against most federally-sponsored projects. They are considered a payment or reward where the primary intent is to confer distinction on, or to symbolize respect, esteem or admiration for, the recipient. Services chargeable to a federally sponsored project should be classified as to type of service, i.e., consulting fees, lecture fees, etc. In some cases non-government sponsored projects may be charged for honoraria where appropriate but only with the specific **prior** approval of ORPA and the Dean of the Faculty.

## Contacts

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