

<b>ADMINISTRATIVE DIVISION</b>	FINA Administration and Finance
<b>POLICY NUMBER</b>	FINA 7.10
<b>POLICY TITLE</b>	Tax Management
<b>SCOPE OF POLICY</b>	USC System
<b>DATE OF REVISION</b>	July 18, 2025
<b>RESPONSIBLE OFFICER</b>	Executive Vice President for Administration and Chief Financial Officer
<b>ADMINISTRATIVE OFFICE</b>	University Finance – Controller’s Office

## **PURPOSE**

The purpose of this policy is to provide guidance on applicable tax matters to ensure compliance with statutory rules, regulations, and tax obligations and effective management of the University’s risk exposure.

## **DEFINITIONS AND ACRONYMS**

**Federal Employer Identification Number (FEIN):** A federal tax identification number for businesses, tax-exempt organizations, and other entities used for various business and tax purposes (e.g., opening a bank account, applying for licenses, filing tax returns).

**State Instrumentality:** An organization created by or pursuant to state statute and operated for public purposes.

**Tax-Exempt Entity:** An organization that is not obligated to pay federal income tax on income generated from activities that are substantially related to the purposes for which the entity was organized. For the University, these purposes include teaching, instruction, research, and public service.

## **POLICY STATEMENT**

Tax regulations are often complex, open to interpretation, and contain exceptions and special cases. As such, the University’s tax function is centralized within the Controller’s Office to promote standardization, compliance, and limited risk exposure. This policy provides information and guidance on the matters applicable to the University System.

### **A. Roles and Responsibilities**

#### **1. Controller’s Office Tax Team**

The primary responsibilities of the Controller’s Office Tax Team include:

- a. Conducting research and advising and educating University parties on tax matters;
- b. Ensuring compliance with relevant rules and regulations;
- c. Identifying and assessing current or potential tax exposure and risk;

- d. Protecting the University's tax-exempt status;
- e. Coordinating timely submissions of various filings and payments;
- f. Serving as the University's liaison with federal, state, and local tax authorities; and
- g. Seeking guidance from external advisors when required.

The Controller's Office Tax Team cannot assist individuals with preparing tax forms or any other actions that would constitute the issuance of unauthorized tax advice.

All activity between the University and tax authorities or regulatory bodies (e.g., Internal Revenue Service [IRS], South Carolina Department of Revenue, etc.) **must** flow centrally through the Controller's Office Tax Team. This activity includes, but is not limited to, correspondence, filings, payments, and registrations/applications. Only the Controller's Office is authorized to use the University's FEIN for tax-related purposes.

## 2. Units/Departments

The primary responsibilities of units/departments include:

- a. Coordinating with the Controller's Office Tax Team on tax matters before taking action;
- b. Disclosing all relevant information to the Controller's Office Tax Team in a timely manner;
- c. Recording transactions in an accurate and timely manner;
- d. Staying up to date on the tax matters impacting the University by reviewing applicable policies, procedures, and resources; and
- e. Attending relevant training provided by the Controller's Office;

## **B. Income Tax – Unrelated Business Income (UBI) Tax**

In accordance with Internal Revenue Code Section 115 and IRS determination, the University is classified as a state instrumentality and generally exempt from federal income tax. However, under certain circumstances, activity may be taxable as UBI at the federal and state corporate tax rate. If the associated activity meets all three of the following criteria, it constitutes UBI and may be taxed as such:

- 1. It is from a trade or business;
- 2. It is regularly carried on; and
- 3. It is not substantially related to furthering the University's exempt purpose.

There are many exceptions and special circumstances that may cause a revenue stream to be deemed UBI or exempt from tax. As such, before entering into revenue generating agreements, the Controller's Office Tax Team should be contacted for a

review of the activity for potential tax implications.

The University's UBI is filed on an annual tax return (Form 990-T – Exempt Organization Business Income Tax Return) by the Controller's Office Tax Team. To aid in the completion of the return, all units/departments are responsible for furnishing applicable information to the Controller's Office Tax Team in a complete and prompt manner.

### **C. Sales and Use Tax**

Gross proceeds from the sale of goods and certain services are subject to a 6% statewide sales tax, in addition to any local option taxes imposed at the county level. The University **is not** generally exempt from state and local sales and use tax. For the limited exclusions and exemptions prescribed by state law, only the Controller's Office Tax Team is authorized to provide exemption and/or reseller certificates for use by a unit/department. Any unit selling goods and services is required to proactively coordinate with the Controller's Office Tax Team to ensure any Retail Licenses are obtained.

When selling goods and services, the University is responsible for the following:

- Determining when a sale is subject to sales tax;
- Charging and collecting sales tax, when appropriate, from its customers;
- Remitting sales tax in a timely manner; and
- Maintaining records that document the charging, collection, and remittance of sales tax with respect to its goods and services.

Sales and Use Tax Returns are filed monthly by the Controller's Office Tax Team. To aid in the completion of the return, all units/departments are responsible for furnishing applicable information to the Controller's Office Tax Team in a complete and prompt manner.

### **D. Additional Withholding for Non-Resident Suppliers**

In accordance with South Carolina state law (Section 12-8-540 and 12-8-550), if a non-resident supplier is not registered with the South Carolina Secretary of State or the South Carolina Department of Revenue (through Form I-312), the University is required to withhold additional tax from certain vendor payments.

When registering as a supplier with the University, non-resident suppliers are responsible for providing documentation of appropriate registration to avoid the additional tax withholding.

### **E. Accommodations Tax**

In accordance with SC Code of Laws Section 12-36-2630, a 5% sales tax and 2% accommodations tax, in addition to any local county sales taxes, is applied to the

proceeds from renting rooms, lodgings or sleeping accommodations to guests for less than 90 consecutive days, unless explicitly exempt by state law. Any unit involved in these activities is required to proactively coordinate with the Controller's Office Tax Team to ensure any Retail Licenses are obtained.

Accommodations Tax Returns are filed monthly by the Controller's Office Tax Team. To aid in the completion of the return, all units/departments are responsible for furnishing applicable information to the Controller's Office Tax Team in a complete and prompt manner.

#### **F. Admissions Tax**

In accordance with SC Code of Laws Section 12-21-2420, an admissions tax of 5% must be collected and remitted by all places of amusement when an admission fee has been charged (e.g., sporting events, performances), unless explicitly exempt by state law. Any unit involved in these activities is required to proactively coordinate with the Controller's Office Tax Team to ensure any required Admission Tax Licenses or Retail Licenses are obtained.

Admissions Tax Returns are filed monthly by the Controller's Office Tax Team. To aid in the completion of the return, all units/departments are responsible for furnishing applicable information to the Controller's Office Tax Team in a complete and prompt manner.

#### **G. Value Added Tax (VAT)**

VAT is a general, broadly based consumption tax assessed in many foreign countries on the value added to goods and services. It applies to all goods and services that are bought and sold for use or consumption in countries that assess VAT. VAT is similar to sales tax charged in the U.S., except that sales tax is only charged to the ultimate end consumer, whereas VAT is charged at every level of production and then passed on to the next purchaser. The University should not have to pay VAT for goods or services to be used in the U.S.

#### **H. Form 1099 Reporting**

In accordance with IRS regulation, the University is required to provide a statement of compensation to suppliers who receive certain payments exceeding \$600 during a calendar year (or \$10 for royalty payments). This is accomplished through the issuance of Form 1099s by the Controller's Office Tax Team (by January 31<sup>st</sup>). Reportable payments include, but are not limited to rents, royalties, prizes and awards, honoraria, guest lecturer fees, independent contractor services, and professional services.

A Form 1099-NEC (Nonemployee Compensation) is issued for payments associated with a provided service (e.g., repairs, consultants, maintenance, etc.), whereas a Form 1099-MISC (Miscellaneous Information) is issued for payments not associated with a provided service (e.g., prizes, awards, fellowships, etc.). To facilitate the generation of

accurate 1099s, units/department must use the appropriate account codes for payments and suppliers must furnish appropriate information during the registration process, including an accurate W-9 (Request for Taxpayer Identification Number and Certification).

## **I. Foreign National Tax Compliance**

In general, all incomes (e.g., wages, scholarships, fellowships, prizes, awards, etc.) paid by the University to a foreign person, or to a third party on behalf of a foreign person, is taxable unless the income is

- Exempt from tax under the provisions of an income tax treaty between the U.S. and the person's country of residence;
- Exempt from tax under an Internal Revenue Code section; or
- Foreign sourced income.

### **1. Payments to Individuals**

Foreign nationals are strictly limited in what sources of income they are authorized to accept. Payment allowability is based on visa status and compliance with explicit documentation requirements. To facilitate appropriate payment, units/departments must ensure requirements are clearly communicated to visiting scholars before arrival in the U.S., with inquiries coordinated with International Student and Scholar Support (ISSS) as needed.

### **2. Scholarships, Fellowships, and Grants**

In accordance with IRS regulations, U.S. sourced taxable scholarships, fellowships, and grants that do not represent compensation for services are subject to tax withholding when paid to nonresident aliens. Amounts that exceed the cost of tuition and required fees, known as nonqualified scholarships, awarded to international students are subject to a 14% tax withholding unless a treaty exists between the U.S. and the student's country that reduces or exempts the tax rate.

### **3. Form 1042-S Reporting**

In lieu of a Form 1099, a Form 1042-S (Foreign Person's U.S. Source Income Subject to Withholding) is issued by the Controller's Office Tax Team (by March 15<sup>th</sup>) to any non-resident alien who received income during the calendar year (e.g., non-qualified scholarships, prizes, awards, compensation, etc.). To facilitate the generation of accurate 1042-Ss, suppliers must furnish appropriate information during the registration process, including an accurate Form W-8 or Form 8233.

## **J. Employer Identification Number for Student Organizations**

Student organizations may need to pursue opening a bank account to facilitate various fiscal matters, such as receiving funds or donations from fundraisers. To open a bank account, an EIN is needed, which is obtained by applying through the IRS. Only those

student organizations whose funds are accounted for **separately**, versus accounted for within the University, should pursue applying for a separate EIN.

Distinct student organizations **are not authorized** to use the University's FEIN for any purpose. Student organizations are independent entities responsible for their own finances, establishing and maintaining their own tax status with the IRS, and completing required tax filings with federal and state agencies. Further, student organizations should not open a checking account using an individual's social security number.

## **K. Taxable Employee Fringe Benefits**

Certain giveaways, prizes, etc. constitute taxable employee fringe benefits that must subsequently be captured on the employee's Form W-2 as income. Per the IRS' Fringe Benefit Guide and IRC Section 74, 132(a)(4), and 3121(a)(20):

- Cash or cash equivalents are never excludable as income.
- De minimis benefits and prizes/awards (less than \$100) that are small enough to make accounting for them unreasonable or unpractical are excluded as income (e.g., occasional snacks, occasional tickets for entertainment events, non-cash birthday/holiday gifts, occasional meals, flowers, fruit, books, etc.).
- Other non-cash awards, such as employee achievement awards and prizes/awards transferred to charities, are excluded as income.

Any occurrence of taxable employee fringe benefits must be promptly reported by units/departments to the Payroll Department. See Procedure for additional detail.

## **L. State and Local Payroll Tax**

In general, remote employees are subject to the laws of the city and state where they are physically located and perform work, not where the employer is based. As such, state and local payroll taxes (e.g., withholding, unemployment, etc.) are automatically withheld from each employee's paycheck based on where they reside. Employees are responsible for keeping their address updated in the payroll system.

### **PROCEDURES**

The accompanying procedure provides additional details on the administration and management of this policy and references to training and resources. The procedure can be found here:

[Policies and Procedures - Office of the Controller](#)

### **RELATED UNIVERSITY, STATE AND FEDERAL POLICIES**

[FINA 2.12 Accounts Payable](#)

[FINA 2.40 Independent Contractors](#)

[FINA 6.00 Employee Payroll](#)

[FINA 6.11 Employee Housing](#)

**HISTORY OF REVISIONS**

<b>DATE OF REVISION</b>	<b>REASON FOR REVISION</b>
July 18, 2025	New policy approval