

DISBURSEMENTS: HONORARIUM PAYMENTS

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DISBURSEMENTS: HONORARIUM PAYMENTS

I. INTRODUCTION

This chapter defines the types of activities for which an honorarium payment is appropriate and provides information on the eligibility for and processing of such payments. In addition, under the California Political Reform Act, certain "designated officials" are prohibited from even receiving gifts, including certain honorariums. This chapter focuses solely on the accounting aspects of an honorarium; information on the conflict of interest issues can be found at the following:

<http://www.ucop.edu/ucophome/coordrev/policy/1-24-01att.pdf>

II. DEFINITION

An honorarium is a payment granted to an individual in recognition of a special service or distinguished achievement for which propriety precludes setting a fixed price. There is no set honorarium for giving a lecture or series of lectures, or performing a similar service. The honorarium may be subject to negotiation in each case but may not exceed an amount stipulated periodically by the Provost and Senior Vice President—Academic Affairs (see Section III.C, Allowable Rates).

III. POLICY

A. HONORARIUM ACTIVITIES

The types of activities for which honorarium payments may be made include the following:

- 1) A special lecture, a short series of such lectures, or a concert or other creative activity (see Academic Personnel Manual (APM), Section 666).

- 2) Participation in a seminar or workshop as a guest speaker or panelist, provided such services are furnished on a short-term basis.
- 3) A speaking engagement.
- 4) Appraisal of a manuscript for the University Press or an article submitted to a professional publication (see APM, section 665).

Non-honorarium activities include the following:

- 1) Performance fees for speakers sponsored by campus Arts and Lectures or a similar campus nonacademic organization.
- 2) Independent consultant payments governed by Business and Finance Bulletin (BFB) BUS-34, Securing the Services of Independent Consultants.
- 3) Independent contractor payments governed by BFB BUS-77, Independent Contractor Guidelines.
- 4) Faculty consulting payments governed by APM Section 664, Additional Compensation/ Services as Faculty Consultant.
- 5) Payments for activities covered under APM Sections 661, 662, 663, or 667, teaching summer session, Extension, or correspondence courses or extramurally-funded research, also may not be treated as an honorarium transaction (see Section V., References).

B. ELIGIBILITY

Generally, honoraria are paid to persons of scholarly or professional standing in conjunction with an academic activity. Both employees and non-employees are eligible to receive honorarium payments. (See APM Sections 660 and 666 for the rules governing the eligibility of University faculty to receive additional Compensation.)

III. POLICY (Cont.)

Honoraria may be paid to foreign visitors in accordance with University policy and subject to the restrictions of their visa classification (see below).

C. ALLOWABLE RATES

Chancellors, the Executive Vice President of Business Operations, the Lawrence Berkeley National Laboratory (LBNL) Director and the Vice President-Agriculture and Natural Resources are authorized to approve honoraria. For faculty, these individuals may approve up to \$1,500 per event, and to grant exceptions up to but not exceeding \$3,000 per event. (See APM 666-18 and September 28, 2009 letter from Interim Provost Lawrence H. Pitts.) Any delegation of this authority must be in writing. State funds may not be used for payment of honoraria. Travel expenses of the individual may be reimbursed separately.

D. PAYMENTS CHARGED TO FEDERAL FUNDS

Honorarium payments generally are not allowable charges to Federal funds unless a contract or grant specifically authorizes such payments. Payments for conducting seminars and workshops and for giving special lectures may be allowable charges to certain Federal contracts and grants if it can be established that such a service benefits a project.

Honorarium payments should be specified as direct cost items at the time a contract or grant proposal is prepared.

IV. PAYMENT PROCEDURES

A. PAYMENT METHODS

1. Payments to University Employees

Honorarium payments to University employees are initiated on a One-Time Payroll Payment Authorization form (UPAY 564) or as a one-time payment transaction using the On-line Payroll

Time Reporting System. Such payments are subject to withholding for income and employment taxes and are reported on the employee's Form W-2. (For more information, see Accounting Manual chapter P-196-11, Accounting for and Tax Reporting of Mandatory Deductions and Insurance Benefit Contributions.)

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When processing honorarium payment requests, the department making the request should inquire if the recipient is an employee of the University system. A suggested form for this purpose, which may be modified or incorporated into an existing campus form, is included in Exhibit I.

For restrictions on honorarium payments to individuals participating in any Health Sciences compensation plan, see Accounting Manual chapter H-214-75, Health Sciences Compensation Plans.

2. Payments to Non-University Employees

Payments to non-University employees are initiated on a Form U5, Check Request or electronic equivalent. The Form U5 must include the payee's Social Security Number or, for nonresident aliens, the Individual Taxpayer Identification Number. For information on the tax coding of such payments, see Accounting Manual chapter D-371-12.1, Disbursements: Accounting for and Tax Reporting of Payments Made Through the Vendor System. Payments initiated on a Form U5 are reportable on Form 1099 MISC but generally are not subject to Federal and State tax withholding, with the following exceptions:

- a. **Nonresident aliens.** Honorarium payments to nonresident aliens are subject to Federal tax withholding and reporting on a Form 1042-S. See Accounting Manual chapter T-182-27, Federal Taxation of Aliens, for a list of visa classifications that permit a nonresident alien to receive an honorarium

III. PAYMENT PROCEDURES (Cont.)A. PAYMENT METHODS

payment. Residents of foreign countries who receive income from California sources are generally subject to State income tax withholding (see below).

- b. **California nonresidents.** For State tax withholding at source requirements and procedures for honorarium payments to California nonresidents who are not employees of the University, refer to Accounting Manual chapter D-371-77, Disbursements: State Tax Withholding from Nonwage Payments to Nonresidents of California.

3. 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 Federal 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 a charity or other third party.

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. Because the individual declined the honorarium before it was earned, the person will not be treated as receiving taxable income. The University may consider and may choose to abide by a request to donate the funds to a charity, 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 addition, an employee or other individual providing services may indicate to the University in writing before services are performed that the person declines the honorarium and requests (but does not demand) that the honorarium be retained by the University and used by the University in a certain manner (i.e., to fund scholarships, or support a particular program or department). In these cases, the University may consider and may chose to abide by the request, but is not required to do so and at all times retains the full discretion and control as to how such funds are to be used. In no event, however, shall a declined honorarium be paid into an employee's research account or other fund controlled by the employee.

See Exhibit II, Example 1 for a sample statement that may be included in a letter to individuals who requests that an offered honorarium be contributed by the University to a specific charity.

Exhibit II, Example 2 contains a generic statement that may be included in a letter to an employee who requests that the honorarium be retained by the University and used in a specific manner.

4. Payments Refused

In some cases, the individual may request that he or she not receive the honorarium with no suggestion as to how the University should use the funds. In these cases, if the person agrees not to receive payment before the services are rendered, he or she will not be taxed on the honorarium amount. See Exhibit II, Example 3 for a sample statement that may be included in a letter to individuals who request that they not be paid the honorarium amount.

B. APPROVAL

Honorarium payments must be approved by Chancellor, the Executive Vice President of Business Operations, the LBNL Director, the Vice President-Agriculture and Natural Resources, or by a person who has been delegated such authority.

C. CHECK DISTRIBUTION

Checks for honorarium payments should be mailed directly to the payee or may be held by the accounting office for pick-up by the payee. Such checks should not be released to the department that initiated the payment. If an honorarium payment to an employee must be returned to the originating department, the employee should be required to sign for the check before it is released. An electronic payment may be made in lieu of a check.

V. REFERENCES

Academic Personnel Manual Sections:

- 660 Additional Compensation/General
- 661 Summer Session Teaching
- 662 Additional Teaching
- 663 University Extension Correspondence Courses
- 664 Additional Compensation/Faculty Consultant
- 665 Additional Compensation/Reading Manuscripts
- 666 Additional Compensation/Lectures
- 667 Extramurally Funded Research

Letter to Chancellors from Provost Walter E. Massey dated February 1, 1995.

Letter to Chancellors from Interim Provost Lawrence H. Pitts dated September 28, 2009.

Accounting Manual chapters:

- D-371-12.1 Disbursements: Accounting for and Tax Reporting of Payments Made Through the Vendor System.
- D-371-16 Disbursements: Approvals.
- D-371-77 Disbursements: State Tax Withholding from Nonwage Payments to Nonresidents of California.
- H-214-75 Health Sciences Compensation Plans.
- P-196-11 Payroll: Accounting for and Tax Reporting of Mandatory Deductions and Insurance Benefit Contributions.
- P-196-77 Payroll: State Tax Withholding from Employees.
- ** T-182-27 Taxes: Federal Taxation of Aliens

Business and Finance Bulletins:

- BUS-34 Securing the Services of Independent Consultants.
 - BUS-77 Independent Contractor Guidelines
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****EXHIBIT I**

**HONORARIUM RECIPIENT EMPLOYMENT STATUS
WORKSHEET**

INFORMATION ABOUT RECIPIENT

Social Security Number _____ Taxpayer ID Number _____

Name _____ Address _____

City _____ State/Zip _____

If Foreign National - Country _____ Visa Type _____

Amount of Payment _____

The dates of activity at the University of California will be from _____ to _____

RELATIONSHIPS WITH THE UNIVERSITY OF CALIFORNIA SYSTEM

Is this individual on record as a current employee of this Campus or another UC location? Yes ___ No ___

If Yes, which campus/location? _____

Employee ID # _____

CERTIFICATION

I certify that the information contained on this form is to the best of my knowledge and belief, true and complete.

Signature of Honorarium Recipient _____ Date _____
or Responsible Department

Prepared by _____ Date _____

*EXHIBIT II: Sample Letters to Individuals Who Decline an Honorarium

Example 1.

The following statement may be included in a letter to individuals who request that an offered honorarium be *contributed* by the University to a *specific charity*. Note that when the donation is made, it must be made in the name of The University of California.

University of California Letterhead

Name
Address

Dear _____:

We acknowledge your request that in lieu of receiving an honorarium for the [speaking engagement], you would like a donation to be made to a specific charitable organization. Please note that if you enter into an agreement to have compensation that you earn paid to a charity, the compensation is still treated as taxable income to you. On the other hand, if you decline an offer to receive an honorarium, and then make a non-binding suggestion to ask that the funds be donated to a charity, you will not have taxable income.

In this case, we understand that you declined to receive the honorarium and did so prior to performing the services for which the honorarium was to be paid. We further understand that you suggested that the University donate the amount of the honorarium to _____. While we will give your request serious consideration, we reserve the right to make the ultimate decision on where these funds will be donated.

We thank you again for speaking at _____.

Sincerely,

[Name, Title]

Exhibit II. (continued).

Example 2.

The following is a generic statement that may be included in a letter to an employee who requests that the honorarium be *retained* by the University and used in a specific manner:

University of California letterhead

Employee Name

Dear _____

We acknowledge your request that in lieu of receiving an honorarium for the [speaking engagement], you would like the University to retain the amount of the honorarium and use the funds in _____. We further acknowledge that you declined the honorarium prior to performing the services for which the honorarium was to be paid. While we will give serious consideration to your request that we use the amount of the honorarium for the purpose you suggested, we reserve the right to use these funds in the manner in which we feel is most appropriate.

We thank you again for speaking at _____.

Sincerely,

[Name, Title]

Exhibit II (Continued)**Example 3.**

The following statement may be included in a letter to an individual who requests that they not be paid the honorarium amount and stipulate no additional qualifications.

University of California Letterhead

Name
Address

Dear _____

We acknowledge your request that you not receive an honorarium payment for the [speaking engagement]. This is to confirm that this request was made by you prior to performing the services for which the honorarium was to be paid. Accordingly, the University reserves the right to direct and control how these honorarium funds will be used.

We thank you again for speaking at _____.

Sincerely,

[Name, Title]