

Business & Financial Services

Tax Services



Taxable Travel Procedure ~ Foreign Non-Employees

All travel payments made in support of foreign national individuals who are not employees and are not U.S. citizens or permanent residents, are evaluated by the Foreign Tax Office for potential tax issues.

For travel payments to fall under the accountable plan rules for travel, *and be considered nontaxable*, they must:

- Be a deductible expense (primarily benefitting CSU) paid or incurred while performing services for CSU; and
- Be adequately accounted for within 60 days, with any excess reimbursement returned within 120 days, after the expense was paid or incurred.

PROCESS – ARRANGING TRAVEL FOR NON-EMPLOYEE FOREIGN NATIONALS:

1. Submit TEM AR Customer Form to A/P, noting that traveler is foreign and a non-employee.
2. A/P sends ad hoc approval request of KFS Customer document to Foreign Tax. Foreign Tax evaluates for Tax issues and
 - a. Approves travel as nontaxable, without need for additional information; or
 - b. Contacts Traveler and Arranger for more info, then determines travel is either nontaxable or treaty exempt; or
 - c. Determines withholding is applicable.
3. Create the TA as usual.

IF TRAVEL REIMBURSEMENT IS DEEMED TO BE TAXABLE, ARRANGER MUST:

1. Create a DI for tax withholding amount, listing account 2420000-2301 in the "To" section to accrue the tax amount and listing the expense account in the "To" section for the same amount.
2. Create the TR for the net amount of travel reimbursement (gross minus tax withholding).
3. List DI # on TR for cross-reference. *Note: Travel Services will not pay TR unless 'Final' DI is noted on the TR.*

NON-REIMBURSED TRAVEL PAID BY GHOST CARD:

- Departments are discouraged from using Ghost Cards to pay travel expenses for Foreign Non-Employees because, if travel support provided is taxable to the recipient, there is no way to withhold the tax and it becomes a departmental expense.
- Tax expense for Ghost Card airfare relating to taxable travel support provided to Foreign Non-Employees will be charged by Travel Services on a Distribution of Income and Expense, on a monthly basis, to the departmental account used to purchase Ghost Card airfare. If purchased on a 53 or 99 account, tax will be charged to the continuation account.
- When a University department pays an individual's taxes, the tax amount paid is considered additional income to the recipient. In effect, each payment of an individual's taxes results in more taxable income and more taxes.
- The IRS has approved a procedure commonly known as "grossing-up" to calculate the additional tax amount when taxes are paid on behalf of another individual. The formula to calculate a tax gross-up is: $\text{Grossed-up Tax} = [\text{Original Tax Amount} / (1 - \text{Tax Rate})]$. For example, \$500 travel support is provided for a Foreign Non-Employee and paid with a Ghost Card. The applicable tax rate is 30%. The tax expense charged to the department will be: $\text{Grossed-up Tax} = [\$150 / (1 - 30\%)] = \$214.28$