

PROCEDURE NUMBER: FINA 7.10 Procedure

SECTION: Administration and Finance

SUBJECT: Tax Management

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REVISION:

Procedure for: All Campuses

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Issued by: Administration and Finance – Controller’s Office

Procedure

The University Administration and Finance Division, Controller’s Office, will ensure compliance with University Policy FINA 7.10. This procedure is applicable to campuses, units, and departments. The purpose of this procedure is to supplement the associated policy by providing additional resources, detail, and guidance on tax management.

A. Supplier Management

Supplier Self-Service Portal

All suppliers doing business with the University, including both domestic and international suppliers, are required to register in the Supplier Self-Service Portal. Payment cannot be disbursed to a supplier without an appropriate, active registration. During the registration process, domestic suppliers are required to complete and submit a Form W-9 while international suppliers are required to complete and submit an appropriate Form W-8 (BEN, BEN-E, ECI, IMY, or EXP, as applicable) or Form 8233 – see Foreign National Tax Compliance section for additional information. Failure to submit the required Form W-8 will result in an automatic tax withholding of 30%.

Access to and registration in the Supplier Self-Service Portal occurs by invitation only. Departmental supplier liaisons are responsible for assisting suppliers with registration by providing applicable instructions and guidance accordingly.

Financial Sanctions

The University does not do business with any entity that is sanctioned, suspended, or debarred. The following periodic monitoring processes are completed by the Controller's Office:

On a monthly basis, the Office of Foreign Assets Control's (OFAC) sanctions list is loaded into the PeopleSoft Finance system and automatically compared to the University's supplier record to identify any matches. In addition, on a monthly basis, the System for Award Management (SAM) exclusions list is manually compared to the University's new supplier record to identify any entities that are suspended and debarred. For all identified matches, appropriate research is completed and documented and if necessary, the entity is made inactive in the Supplier Self-Service Portal to prevent payment.

Taxpayer Identification Number (TIN) Matching

On a weekly basis, the Supplier Management Team completes a TIN matching process by comparing data from the Supplier Self-Service Portal to the Internal Revenue Service's records to ensure no mismatches are found between the taxpayer's name and TIN combination. This ensures the accuracy of our supplier system, facilitates the appropriate generation of 1099s, and mitigates potential consequences from the IRS (e.g., issuance of B Notices, backup withholding, etc.). Any discrepancies are reviewed and resolved by the Supplier Management Team, including requiring an updated W-9 from the supplier.

W-8 Inactivation

Form W-8s remain valid for three years. After this period, a new form must be submitted by the supplier. The Supplier Management Team completes an annual review to ensure all active suppliers have a current W-8 on file. Suppliers with expired W-8s are inactivated in the system to prevent noncompliance. This inactivation prevents further payment from occurring until an updated W-8 is received.

Conflict of Interest

When making purchases, departments should avoid doing business with suppliers if there is an actual or perceived conflict of interest. The University requires that an employee's private interests are kept separate from their official University interests. This separation ensures good stewardship of funding and ethical practices and also protects the University and its employees from charges of favoritism when purchasing goods and services. Employees are prohibited from participating in or making decisions about a purchase if there is a financial conflict of interest.

It is ultimately the employee's responsibility to disclose any actual or perceived conflicts of interest. In accordance with University Policy BTRU 1.18, Conflict of Interest and Commitment, failure to make a complete disclosure or to comply with the actions required to mitigate or eliminate the conflict may be grounds for disciplinary action and/or sanctions.

To monitor conflicts of interest and mitigate the associated risks at a central level, the following process occurs before a supplier is approved and paid:

When a supplier registration is received, the Supplier Management Team checks the registration information (e.g., name, address, etc.) against a University personnel query, through PeopleSoft HCM. If no matches are identified, this step is complete and the supplier approval process proceeds. However, if a match is identified, the Supplier Management Team determines whether the supplier registration is for an employee, an employee's family member, or a company in employee's name, among other scenarios. A quarterly email is distributed to the Purchasing Department detailing any identified conflict of interest flags.

If the supplier registration is for a current University employee, the Supplier Management Team contacts Human Resources (HR) and the departmental supplier liaison. HR will then determine whether the activity should be set up as dual employment. If dual employment, no future actions are needed regarding disclosing or managing a potential conflict of interest. However, if not dual employment, the Supplier Management Team will check the Activity and Interest Reporting System (AIR) to confirm whether the entity has been disclosed as an outside financial interest by the University employee.

If the entity has been disclosed and approved, no future action is needed from the employee in AIR and the Supplier Management Team moves forward with the supplier approval process. However, if the entity has not been disclosed or approved, the Supplier Management Team will contact the employee to request completion of this step, also notifying the Conflict of Interest Compliance Manager from Audit & Advisory Services. The supplier registration will not be approved until the disclosure is complete.

Once the employee completes their disclosure, describing the outside entity and any overlap with their University duties, the Conflict of Interest Compliance Manager will analyze the disclosure and work with the employee and their supervisor in the completion of any required management plans to mitigate the conflict of interest. After the disclosed entity has been approved in AIR, the Supplier Management Team will move forward with the supplier approval process.

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

On an annual basis, the Controller's Office Tax Team distributes a UBIT Questionnaire to units/departments to collect the information needed to file the Form 990-T (Exempt Organization Business Income Tax Return). Units/departments are required to submit timely and accurate information. Any penalties incurred due to late submissions or omitted information will be the responsibility of the department.

C. Sales and Use Tax

The gross proceeds from the sale of goods and certain services may be subject to local option taxes imposed at the county level.

The difference between sale and use tax is summarized below:

Sales Tax	Use Tax
Imposed on the <u>seller</u> of goods and certain services	Imposed on the <u>purchaser</u> of certain goods and services
<u>Seller</u> is responsible for charging sales tax and remitting it to the state*	<u>Purchaser</u> is responsible for accruing use tax and remitting it to the state
Associated with <u>in-state</u> purchases (that meet the criteria for nexus)	Associated with <u>out-of-state</u> purchases (that do not meet the criteria for nexus)

*If a department sells goods, the University is responsible for fulfilling this responsibility.

The [Use Tax Matrix](#) can be used to assist with determining when use tax is applicable.

Retail License

The SC Department of Revenue requires any person engaged in retail sales in South Carolina, including online sales, to obtain a retail license. Within the University, a separate retail license is required for each location. A retail license is obtained through the completion of a [Business Tax Application](#) (Form SCDOR-111) and remittance of a \$50 fee. If a department thinks a retail license may be necessary based on its activities, the Controller's Office Tax Team should be promptly contacted. All applications must be completed and submitted by the Tax Team, not by departments.

Exemptions/Exclusions

The following limited exclusions and exemptions exist for sales and use tax:

- Equipment used in research and development (R&D). To apply for this exemption, the [R&D Equipment Sales and Use Tax Exemption Form](#) must be completed and submitted for review by the Controller's Office Tax Team.
- Textbooks, books, magazines, periodicals, newspapers, and online information access used in a course of study, school, or public library.
- Products purchased for resale.
- Most services.
- Other miscellaneous fees (e.g., cancellation fees, gift certificates, membership dues, registration fees).

Monthly Returns

Units/departments must complete and submit the [SC State Sales and Use Tax Submission Form](#) on a monthly basis to report applicable sales and use tax data to the Controller's Office. The Controller's Office Tax Team is required to submit the University's return and associated tax payment to the SC Department of Revenue by the 20th day of the month following the tax period. As such, **forms must be submitted to the Controller's Office by the 10th of every month.** Any penalties incurred due to late submissions will be the responsibility of the department.

D. Accommodations Tax

Retail License

The SC Department of Revenue requires any person engaged in retail sales in South Carolina, including online sales, to obtain a retail license. Within the University, a separate retail license is required for each location. A retail license is obtained through the completion of a [Business Tax Application](#) (Form SCDOR-111) and remittance of a \$50 fee. If a department thinks a retail license may be necessary based on its activities, the Controller's Office Tax Team should be promptly contacted. All applications must be completed and submitted by the Tax Team, not by departments.

General Exclusions

The following general exclusions exist for accommodations tax:

- The lease or rental of accommodations supplied to the same person for a period of 90 continuous days.
- A facility with less than six bedrooms, provided that the facility is on the same premises where the owner or operator lives at the time the other rooms are rented, and the owner or operator does not use a rental agency or online travel company to rent rooms.
- Accommodations provided to foreign diplomats.
- Accommodations billed directly to federal government agencies, the American Red Cross, federal credit unions, or charitable children's hospitals.
- The gross proceeds from rental income wholly excluded from gross income pursuant to [Internal Revenue Code Section 280A\(g\)](#).

Monthly Returns

Units/departments must complete the [State Sales, Use, and Accommodations Tax Return](#) (Form ST-388) on a monthly basis to report applicable accommodations tax data to the Controller's Office. Forms must be emailed to the Tax Team's central mailbox at tax@mailbox.sc.edu. The Controller's Office Tax Team is required to submit the University's return and associated tax payment to the SC Department of Revenue by the 20th day of the month following the tax period. As such, **forms must be submitted to the Controller's Office by the 10th of every month.** Any penalties incurred due to late submissions will be the responsibility of the department.

E. Admissions Tax

Retail License

The SC Department of Revenue requires any person engaged in retail sales in South Carolina, including online sales, to obtain a retail license. Within the University, a separate retail license is

required for each location. A retail license is obtained through the completion of an [Application for License to Operate a Place of Amusement](#) (Form L-514) and remittance of a \$50 fee. If a department thinks a retail license may be necessary based on its activities, the Controller's Office Tax Team should be promptly contacted. All applications must be completed and submitted by the Tax Team, not by departments.

Ticket Requirements

Tickets must be used to account for paid admissions unless the SCDOR has authorized or approved other methods of accounting for paid admissions. All tickets must have the price of admission printed on them and must be sold for the price printed on the ticket. Unless separately stated on the tickets provided to the patrons, the admissions tax is considered to be included in the charge to enter or use a place of amusement. Tickets stubs must be maintained during the three-year statute of limitations period, unless written permission is received from the SC Department of Revenue to destroy ticket stubs for a particular period.

General Exclusions

The following general exclusions exist for admissions tax:

- Any amount separately stated on the ticket of admission for the repayment of money borrowed for the purpose of constructing an athletic stadium or field by any accredited college or university.
- Any amount of the charge for admission, whether or not separately stated, that is a fee or tax imposed by a political subdivision of the State.
- Other instances specified in [SC Code of Laws Section 12-21-240](#).

Monthly Returns

Units/departments must complete the [Admissions/Theater Tax Return](#) (L-511) on a monthly basis to report applicable admissions tax data to the Controller's Office. Forms must be emailed to the Tax Team's central mailbox at tax@mailbox.sc.edu. The Controller's Office Tax Team is required to submit the University's return and associated tax payment to the SC Department of Revenue by the 20th day of the month following the tax period. As such, **forms must be submitted to the Controller's Office by the 10th of every month**. Any penalties incurred due to late submissions will be the responsibility of the department.

As authorized by [Proviso 117.167](#), accredited colleges and universities are eligible to be refunded the admissions tax for athletic events held during the fiscal year. This election is made on the admission tax return by providing a required certification, which is filed by the Controller's Office Tax Team.

F. Value Added Tax (VAT)

The University does not have a VAT number. If a vendor/supplier charges VAT for goods and services to be used in the U.S., the University purchaser (unit/department) should coordinate with the Controller's Office Tax Team for further assistance and guidance. The Tax Team will request the VAT to be removed. If the request is unsuccessful, the University will pay the VAT as part of the purchase.

When the University makes an exempt purchase from a VAT Country vendor/supplier, the unit/department must coordinate with the Tax Team to request the exemption at the time of purchase and to keep all relevant receipts and records.

G. Form 1099 Reporting

The 1099 generation process is driven by account code. For 1099s to be appropriately generated, **departments must code payments to the proper account based on the nature of the expense.** Refer to the Withholdable Account Codes resource for a listing of the account codes that generate 1099s.

In addition, for 1099s to be appropriately received, suppliers must ensure their address is kept up to date in the Supplier Self-Service Portal – 1099s are mailed based on the address reflected in the supplier's profile.

H. Foreign National Tax Compliance

Payments to Entities

A properly completed W-8 will be required before a foreign entity is set up as a supplier and a payment is issued. Reference the latest W-8 instructions on the Internal Revenue Service website for additional information.

- Form W-8BEN-E: Most commonly used W-8 for a USC supplier that is an entity. Applicable when a beneficial owner is providing a personal service outside of the United States and solely claiming foreign status or treaty benefits.
- Form W-8ECI: Applicable if foreign entity has a trade or business in the United States.
- Form W-8IMY: Applicable if a foreign entity acts in the capacity of a custodian, broker, nominee, or any other person that acts as an agent for another person.
- Form W-8EXP: Primarily applicable when the foreign entity is a foreign government, foreign bank, foreign tax-exempt organization, or foreign foundation.

Payments to Individuals

A properly completed W-8BEN or 8233 will be required before a foreign individual is set up as a supplier and a payment is issued. Reference the latest 8233 instructions on the [Internal Revenue Service website](#) for additional information.

- Form W-8BEN: Most commonly used form for a USC supplier that is an individual. Applicable when a beneficial owner is providing a personal service outside of the United States and solely claiming foreign status or treaty benefits.
- Form 8233: Applicable if foreign individual is a nonresident alien who is receiving compensation for independent personal services or dependent personal services performed in the United States. In addition, applicable if nonresident alien is receiving non compensatory scholarship or fellowship income from USC.

Refer to the [Payments to Foreign Nationals Matrix](#) for the documentation requirements.

I. Taxable Employee Fringe Benefits

Based on the Internal Revenue Services' guidance, the following criteria will be enforced:

- Cash and cash equivalent (e.g., gift cards) employee giveaways are always reported as taxable income, regardless of value.
- Swag giveaways (e.g., items with the University's logo) are considered taxable if the value exceeds \$50.
- Employee giveaway items denoted by internal auxiliary units (e.g., Athletics) follow the same rules noted above.
- Employee giveaway items donated by external organizations for raffles or drawings are not considered taxable income.

J. Resources and Forms

Resources, trainings, and guides can be found on the Controller's Office website under the following sections:

- General Accounting → Supplier Management, Tax Management

History of Revisions:

DATE OF REVISION	REASON FOR REVISION
July 1, 2025	New Procedure

