



Withholding on Non-Employee Compensation in Other States

Senior Business Administrators Meeting

February 7, 2023

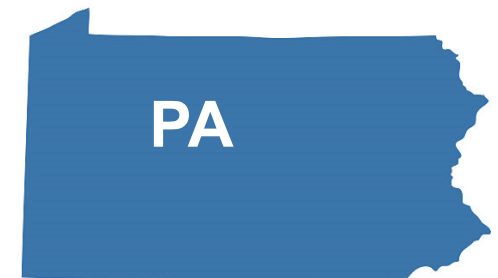


Agenda

- Background
- Withholding in other states
- Determination for tax withholding
- Proposed process
- Alternate solutions not selected
- Proposed implementation timeline

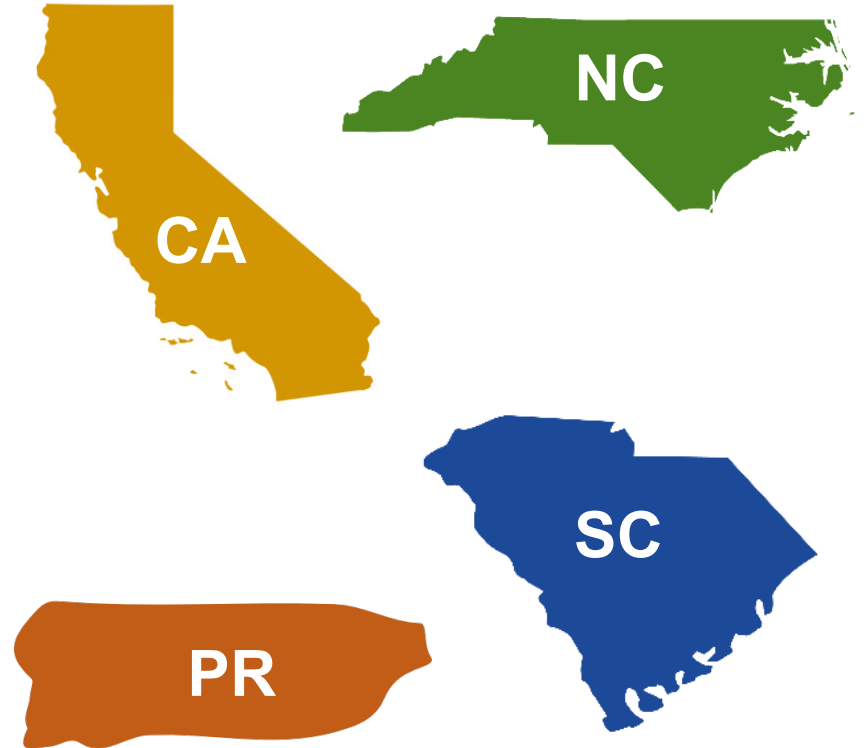
Background

- Effective January 1, 2018 Pennsylvania required organizations to withhold on PA non-residents receiving non-employee compensation for services performed in PA.
 - Required for individuals and LLCs electing to be taxed as individuals
- Penn began withholding in January 2018
 - Process is currently handled manually by A/P



Withholding in states other than PA

- CA, NC, SC and PR also require withholding on non-residents performing services in those states
 - Required for individuals, partnerships and **corporations**
- Penn is now working to become compliant in those states and territory.





Determination of Tax Withholding

- Taxability is based on:
 - Residence – Supplier Record in BEN
 - Location of Services
 - PO invoices – new process to capture
 - Non-PO payment requests – currently captured
 - Requires integration into BEN Financials

Proposed Requisition/Purchase Order Process

- BEN Buys Requisitions/Purchase Orders:
 - Requisitions using Non-employee Compensation Object Codes
 - Requisitioner will be prompted to add the location where the services will be provided
 - State/US Territory
 - Country
 - If not captured on requisition, then PO workflow notification will require the PO Manager to supply that information
 - For individuals – from the SPQ
 - Form is being modified to capture this information
 - For Corporations/Partnerships – inquiry to the supplier

Alternate Solutions not Selected

- Collect location of services at the time of **supplier registration**
 - Requires supplier to update the supplier portal for changes in location of services
 - Inflexible process/inability to account for multiple locations of work
- Collect location of services at the **invoice level**
 - Requires invoice holds to collect location of service
 - 51,000 invoices (based on CY 21 data) would be placed on hold that would need to be cleared by the school/center



Proposed Implementation Timeline

- Phase I
 - Begin Capture of Location of Services – CY 23
- Phase II
 - Begin tax withholding for CA, NC, SC, and PR – January 1, 2024