

What is the proper tax treatment of travel expenses paid on behalf of or reimbursed to individuals, whose travel expenses are covered by the University, but who receive no honoraria or other fee payments?

Each year, a certain number of individuals travel to the University to participate in symposia, conferences or round table discussions of various sorts, under agreements providing that the University will pay or reimburses their travel expenses, although the University does not also pay honoraria or fees. In addition, a certain number of individuals travel to the University to collaborate with Harvard professors on research projects or writing papers that summarize research findings; these individuals tend to be peers of the Harvard professors at other institutions. The department pays the travel expenses, sometimes including accommodations, while the research collaboration is in process, but pays no honoraria or other fees for service. Two questions arise in connection with payment of the travel expenses in the fact patterns described above:

1. What is the appropriate tax classification of such individuals?

Individuals, who receive no honoraria or other fees from the University, but for whom the University pays or reimburses travel expenses fall into two categories. They are either: (i) independent contractors or (ii) recipients of fellowship income. To distinguish between the two, it is important to understand the function of the person, whose travel expenses are being paid, at the symposium, conference or round table discussion for which the person has traveled to the University. Where the individual is primarily in attendance to provide services to or to provide expertise in achieving the objectives of the University, the individual would generally be classified as an independent contractor, and the expense payment as the payment of a trade or business expense. Where the individual is primarily attending for his or her own education or instruction, the expense payment would generally be viewed as fellowship income. Please see the following examples:

Independent Contractor	Recipient of Fellowship Income
In conferences where most participants / audience members are paying their own fees and travel expenses, a department pays the travel expenses of independent contractors in order to further its programmatic goals in hosting a conference, symposium or round table discussion, because these individuals either: (i) provide particular expertise, through being expected to speak, lead or significantly interact or (ii) add value through mere participation by representing a group whose participation is deemed necessary by the department in carrying out the purposes of a particular conference, symposium or round table discussion. In each instance, the person's presence at the conference, symposium or round table is <i>primarily for the benefit of the University</i> .	In a conference, symposium or round table discussion where the participant is there <u>primarily to learn</u> , payment of travel expenses by the department should be treated as fellowship income to the participant. In each instance, the person's presence at a conference, symposium or round table is <i>primarily for the benefit of the individual</i> .
A speaker on a panel will always be treated as providing services to the University, regardless of whether any part of the audience pays a fee in order to attend	

<p>In the instance of the visiting professor, who is providing services to the University when he or she collaborates in research or writing a paper that summarizes research findings, we need to ask who benefits from that activity. If the Harvard professor has invited the professor from a peer institution to collaborate in order to advance the Harvard professor's own research, then the arrangement is primarily for the benefit of the University and the visiting professor is an independent contractor providing services to support Harvard research. The essential determination is "Whose research benefits from the collaboration?" If the Harvard professor's research is primarily benefited, then it is possible to treat the visiting researcher as an independent contractor.</p>	<p>If the person visiting Harvard to participate in research or to collaborate on a research paper is at Harvard to learn, because the person is a post doc, graduate student or undergraduate or is clearly at a stage in his or her career when he or she is there to learn or to pursue his or her own research in a Harvard laboratory, then amounts paid for travel or accommodations will be treated as fellowship income. In addition, in the case of a more senior visiting researcher, if the visiting researcher's activities either: (i) primarily benefit the research of the visiting researcher or (ii) simultaneously benefit Harvard and the visiting researcher's research, because the project is a collaborative project, then amounts paid for travel and accommodations should be treated as fellowship income.</p> <p><u>*Note:</u> The conclusion with respect to more senior researchers, that amounts are fellowship income, assumes that this person is not a leased employee (e.g., not in PeopleSoft). If the Harvard department wants to avoid fellowship treatment for expenditures for travel and accommodations for senior researchers, then the department should set up the individual as a leased employee and pay all expense reimbursements directly to the senior researcher's home institution, pursuant to an agreement between the department and that institution.</p>
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2. Is the payment or reimbursement of travel expenses subject to withholding and / or reportable by the University on a Form 1099 or Form 1042-S?

Tax withholding and tax reporting requirements will depend on the characterization of the amounts paid for travel expenses and the U. S. tax classification of the recipient:

	Independent Contractor	Recipient of Fellowship Income
U. S. Citizen or U. S. Tax Resident	Travel expenses are excluded from reportable income of the independent contractor as a working condition fringe (no withholding / no tax reporting by the individual or the University)	Travel expenses are fellowship income, are reportable by the individual and may be taxable to the individual. The University is not required by IRS rules to report these amounts on a Form 1099 or other tax reporting document.
Nonresident Alien	Travel expenses are excluded from reportable income of the independent contractor as a working condition fringe (no withholding / no tax reporting by the individual or the University)	Travel expenses are subject to withholding, unless the individual has qualified for a tax treaty benefit for fellowship income, and amounts are reportable by the University on a Form 1042-S

* Exclusion of travel expenses as a working condition fringe becomes possible only where the Harvard department has complied with the requirements in the Travel Manual regarding business purpose, providing required back-up and submitting the claim in a timely manner within the 60-day rule.