

## SMU Tax Policies

**Subject:**                    **Donation of Earnings or Fees for Services Performed**

**Effective Date:**        **08/22/07**

**Revision Date:**        **08/23/17**

**Tax Policy:**              **4.1**

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Compensation and fees for services performed are taxable income to the individual performing the services for the University. The payment for the services performed must be paid to the individual who actually performed the services and must be reported as taxable income to that individual. This policy applies to all payments for services including payments to SMU faculty and professors who are paid for extra duties or assignments.

The tax principle of constructive receipt states that a person is taxed on income if he has the right to receive it. The redirection of the payment to a third party does not alter the taxable nature of the payment. The fact that the person has the right to either accept the funds or dictate where they should be paid is sufficient to require the taxation of the income to the person earning the compensation.

If an individual wants to donate the compensation or fee to the University or to a specific department at the University, the payment should be processed through the Payroll Department. The employee can donate the payment back to the University using one of the following options:

- (1) A separate payroll check for the payment can be processed, endorsed and donated to the University;
- (2) An after-tax payroll deduction can be processed as a donation to the University;
- (3) The individual can write a separate check for the portion of the payment he/she would like to donate.

The University's Development Office will process the payment donated back to the University as a gift and the individual will be issued a gift receipt.