

## Royalties (Definition, Payment Processing, and Tax Reporting)

### Definition

- UW-Madison adopts the IRS policy definition of a “royalty” as something paid to obtain intellectual property, or to use intellectual property or rights to such property. See [Instructions for IRS 1099-MISC Reporting](#).
- UW-Madison recognizes that the publishing industry may separate the operational aspect of the following transactions; however, the IRS classifies the following expenditure terms similarly:

Royalty	Patents	Licensing	Copyrights	Rights
Trade Names	Trademarks	Intellectual	Permissions	

**NOTE:** If you intend the images purchased to be used for teaching or research purposes only, the purchase does not have to be treated as a royalty, even if permission to publish is effectively bundled with the cost of acquiring the images by the vendor. Faculty researchers who want to reserve the right to publish images should not purchase them with this method. If the image will be used for research or teaching, use Account Code 3101 ([Supplies-Office](#)). Purchases for teaching or research purposes can be made with the P-card and may be bundled on one invoice (all of the images acquired from a single vendor may be handled in one transaction). If the images are intended to be used for publishing, follow payment processing instructions below to ensure proper tax reporting.

### Payment Processing

#### **For U.S. Citizens and Permanent Residents:**

- ✓ Use a [Direct Payment \(DP\)](#) form. Use of the procurement card (Pcard) or payment by personal funds with the expectation of being reimbursed by the UW is not allowed due to documentation and approval requirements associated with rights related purchases per [Purchasing Policy and Procedure 4](#).
- ✓ Invoice or other supporting documentation should be provided with the DP.
- ✓ The DP funding string should use [Account Code 3860 \(Royalties\)](#).
- ✓ A completed and signed IRS Form [W-9](#) should be attached to the DP.

**NOTE:** Transactions for permissions to publish must be paid with a DP form, but can be bundled on one invoice so that all of the permissions acquired from a single vendor may be handled in one transaction.

#### **For Nonresident Aliens (NRA):**

- ✓ Use a [Payment to Individual Report \(PIR\)](#) form. Use of the procurement card (Pcard) or payment by personal funds with the expectation of being reimbursed by the UW is not allowed due to documentation and approval requirements associated with rights related purchases per [Purchasing Policy and Procedure 4](#).
- ✓ Follow procedures at [Policy and Procedure: 601-Tax Compliance, Reporting, and Withholding on Non-Salary Payments](#) under Nonresident Alien (NRA) header, [Royalties Payments \(Tax Withholding and Reporting\)](#).
- ✓ Invoice or other supporting documentation should be provided with the PIR.
- ✓ The PIR funding string should use [Account Code 3860 \(Royalties\)](#).

**Note:** If expedited payment processing is required contact your school’s Business Dean’s Office for Rush or Emergency Transaction processing. Advanced planning for the purchase of rights is strongly encouraged as the publishing process may require additional time to complete all protocols and may involve transactions with domestic or

international third parties. The acquirer of rights is strongly encouraged to engage the grants administrator or, specific to 135 funded rights purchases, the VCRGE, to assist in streamlining the process for the acquirer.

It is important to note that all compliant use requirements of rights acquired using UW-Madison funds are UW-Madison obligations.

### **Tax Reporting**

- Royalty tax reporting is outlined at UW Madison [Policy and Procedure: 601-Tax Compliance, Reporting, and Withholding on Non-Salary Payments, Federal and State Tax Reporting](#).
- UW-Madison follows all IRS regulations for tax reporting per IRS Form [1099-MISC](#) and associated instructions at [1099-MISC Instructions](#).