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January 1, 2022

RE: Travel and other expense reimbursements for independent contractors will now be included in Box 1 of Form 1099-NEC along with payments for non-employee compensation

Previously, The University of Wyoming (the University) excluded payments for travel and other expense reimbursements to independent contractors on the Form 1099-NEC if receipts were provided to substantiate the business purpose of the expenses. Only payments for non-employee compensation were reported in Box 1 of the form.

Based on advice from peer institutions who have undergone Internal Revenue Service (IRS) payroll audits, this could potentially open up significant audit liability for the University. In response, the University has made an institutional decision that it will no longer exclude such payments going forward starting with forms issued after January 1, 2019.

Background for this Decision

If you receive non-employee compensation from the University, it has been determined by the University Tax Office, that you are an independent contractor and that your business is completely separate from University operations.

In recent years, the IRS has increased scrutiny in evaluating independent contractor determinations made by universities and other businesses. If the IRS does not agree with an independent contractor determination made by the University, they can choose to reclassify all non-employee compensation to employee compensation. Under these circumstances, the University would be liable for all payroll taxes that would have been associated with the employee compensation in addition to assessed fines, penalties and interest.

To protect the University and its shareholders, it has been decided to include all payments to independent contractors in Box 1 of their Form 1099-NEC. It will now be the responsibility of the independent contractor to deduct bonafide business expenses on their business tax return and to retain related documentation for the expenses.

This does not mean that the independent contractor cannot deduct the reimbursed expenses on their business tax return. Please refer to the IRS website for guidance on deducting business expenses [here](#).

If there are any questions about this new procedure, please don't hesitate to contact the Tax Office at 307-766-2821 or tax@uwyo.edu.