

## Referee Honoraria: Payment Options & Tax Information

The American Finance Association (AFA) provides an honorarium for timely, high-quality referee reports of \$250 for the *Journal of Finance* and \$150 for the *Journal of Finance: Insights and Perspectives*. Because these payments are considered earned compensation, they may have tax implications depending on how you choose to allocate them.

Under IRS rules, if a reviewer earns a fee and can control where those funds are directed, the income is regarded as “constructively received.”

### Tax Implications by Election Option

Action Taken	Taxable Income?	1099-NEC Generated?	Tax Deduction Possible?
Request Cash (PayPal)	Yes	Yes (if total > \$600/year)	No
Direct to Rick Green Prize or APC Fund	Yes*	Yes (if total > \$600/year)	Yes (AFA receipt provided)
Waive Fee (AFA General Fund)	No**	No	No (no income to offset)
No Action (Expired)	No	No	No

\* Directing funds to a specific third-party fund is treated by the IRS as if you received the income and then made a charitable donation.

\*\* The AFA is a member-supported organization. By selecting to waive your honorarium, you are gifting your time and expertise back to the Association. This support directly enables our mission to foster the exchange of ideas across the global finance community.

### Frequently Asked Questions

#### Why is directing my fee to a specific fund (e.g., Rick Green Prize or APC Fund) considered taxable income?

The IRS treats this as if you received the \$250 and then personally made a charitable donation. If your total AFA earnings (payouts plus directed funds) exceed \$600 in a calendar year, you will receive a Form 1099-NEC.

#### Will I receive a receipt for my donation?

Yes. For any honoraria directed to the **Rick Green Prize Fund** or the **APC Support Fund**, the

AFA will issue a formal charitable contribution acknowledgment letter. Many reviewers use this letter to claim a tax deduction to offset the income reported on their Form 1099-NEC.

**How can I avoid a taxable event entirely?**

If you wish to waive the honorarium and avoid any 1099 reporting, select **Waive and Reinvest in AFA General Fund**. By choosing this option, you are declining the compensation entirely. Because the funds remain with the AFA (the original obligor) and are not directed to a third party, the IRS does not treat this as taxable income.

**Can I claim a tax deduction if I waive my fee to the General Fund?**

No. Under IRS rules, you cannot claim a tax deduction for "donated services" or time if you did not first recognize the cash as income. While the IRS doesn't allow a deduction for Option C, the AFA views this choice as a **generous gift of your time and expertise** that directly supports our mission to keep membership dues low and foster global research.

**What happens if I do not make a selection?**

If no election is made within 60 days of accepting the invitation to review, the honorarium is automatically retired and allocated to the AFA General Operating Fund. In this case, no taxable income is recognized.