

Payments to Individuals for Services Provided

Payment Procedures for Personal Services/Independent Contractors

Review the information below to determine the correct tax status and payment method for payments to an individual; this includes payments to students regardless of the description (Stipend, Apprenticeship, Internship, etc.).

Questions concerning these procedures should be directed to the Payroll Office (ext. 5400).

Any individual or company receiving payment for goods or services is required to provide a valid Social Security Number (SSN), an Individual Taxpayer Identification Number (ITIN), or a Federal Employer's Identification Number (FEIN). IRS Form W-9 is used by US persons and resident aliens to report their correct taxpayer identification number. If the payee is a foreign company or a foreign individual (non

An independent contractor is generally in a position to realize a profit or suffer a loss as a result of the services performed. Opportunity for profit or loss may be established factors, among the most important of which are the following:

1. continuing recurring liabilities or obligations, with success or failure depending on the relationship of receipts to expenditures;
2. the individual's services establish or affect his/her business reputation and not the reputation of those who purchase the services;
3. the individual has his/her own office, equipment, materials, or other work facilities.

An independent contractor cannot be fired so long as the results meet the conditions of the contract.

An independent contractor usually agrees to complete a specific project and is responsible to do so satisfactorily or is legally obligated to make good on the failure to do so. An employee can quit a job without incurring liability.

This requirement is established in accordance with IRS Revenue Ruling 87-41.

The University has

NOTE: This paragraph refers to goods and services only. Royalties and other payments for intellectual property are discussed under a different policy.

Travel Reimbursements

Currently payments representing only reimbursements of documented travel expenses (receipts required) following the University's accountable plan are not subject to IRS 1099 or 1042-S information reporting requirements. If the payment, however, includes both a reimbursement of travel expenses and a professional fee or honorarium, both will be subject to IRS 1099 or 1042-S reporting. Travel expenses that are not substantiated with receipts will be treated as compensation and reported to the IRS as income if not returned to the University.

Payments to Foreign Nationals (Non U.S. Citizens)

In order to make a payment to a permanent resident alien (green card holder), a resident alien for tax

Departments should have all the required forms available for the provider of services to complete and sign while they are still on campus or well in advance of the payment process, particularly if they are foreign nationals.

PAYMENTS FOR PERSONAL SERVICES REQUIRED FORMS & ROUTING INSTRUCTIONS BASED ON U.S. TAX STATUS

US Tax Status	Payment Requisition	IRS Form W-8 Submit to Payroll	Independent Contractor Determination Form Submit to Payroll
US Citizen	Yes	No	See # 2 below
Permanent resident alien (green card holder)	Yes	Yes, see #1 below	See # 2 below
Resident alien for tax purposes	Yes	Yes, see #1 below	See # 2 below
Nonresident alien for tax purposes	Yes	Yes, see #1 below	See # 2 below

1. Proper IRS form W