

PAYMENTS TO INDEPENDENT CONTRACTORS
September 2008
6.1.04

Policy:

The University of Kansas Medical Center Research Institute (KUMCRI) is required to file Internal Revenue Service (IRS) Form 1099-MISC for payments to individuals for non-employee services that accumulate to \$600.00 or more per tax year. IRS regulations require the recording of payment data beginning with the first dollar paid. Therefore, it is necessary that the KUMCRI distinguish between an employee and an independent contractor for tax reporting purposes.

Purpose:

During the course of a project, it is sometimes necessary for independent contractors to perform one-time or limited-time services. Because the services may be for a short duration, or specialized, contracting for independent contractors is more advantageous to a grant than hiring an employee to perform the duties. However, an independent contractor should only be contracted for if an employee is neither qualified nor trained to perform the same duties.

An independent contractor is a person who has control over the means and methods of the work to be performed, but the payer has the right to control or direct the work to be performed. An independent contractor is reimbursed for services through an accounts payable financial system and issued an IRS Form 1099-MISC.

Independent contractors include speakers, presenters, collaborators, lecturers and other guests of the university who share their expertise for a limited period of time. Professional Service providers such as attorneys, accountants, and architects, etc., are not included in the definition of independent contractors for the purposes of this policy.

An employee is an individual over whom the payer has control over what work will be performed and how the work will be performed. An employee is reimbursed for services through a payroll system and issued an IRS Form W-2.

Procedures:

- Verify with your Sponsored Programs Administration Post-Award Administrator that a budget line exists in the grant to reimburse independent contractors.
- Before work is allowed to begin, a contract must be completed and signed by the contractor and the department/authorized persons at University of Kansas Medical Center (KUMC).
- At the conclusion of the contract, the contractor should complete the KUMCRI Contractual Services Form. Only original forms with an original signature will be accepted:
http://www2.kumc.edu/researchinstitute/spa/SPA_Forms/Contractual%20Service%20Form.doc
- The contractor should complete an IRS Form W-9: http://www2.kumc.edu/researchinstitute/spa/SPA_Forms/fillable_w-9_form.pdf.
- The contractor should submit a detailed invoice including description of service performed, dates of service performed, and dollar amount owed for services. **NB: A copy of the contract is not considered an invoice.**
- Department/Authorized Persons at KUMC certifies the Contractual Services Form by signing.
- Submit the KUMCRI Contractual Services Form, W-9, and invoice, accompanied by any applicable supporting documentation, to KUMCRI Accounts Payable at Mail Stop 1039.
- Refer to KUMC's Conflict of Interest policy if the independent contractor is an entity owned by a KUMC employee or student, or a family member of a KUMC employee or student.

Definitions:

Independent Contractor: An individual or entity over whom the payer has the right to control or direct only the result of the work performed, and not the means and methods of accomplishing the result.

IRS Form 1099: Informational return sent to the IRS to report various kinds of non-wage payments made to individuals. These payments are not subject to tax withholdings but are considered taxable income and required to be reported to the IRS.

IRS form W-2: An employer automatically withholds and pays all of the necessary employee income taxes as required by the IRS.

IRS form W-9: The standard form used by payers to collect tax identification information and certification.

Responsible Parties:

This policy shall apply to all KUMCRI staff, KUMC faculty, staff, postdoctoral fellows, students, trainees, and any other persons at KUMC, University of Kansas Physicians Incorporated and its affiliates, and KU Hospital staff involved in conducting and/or coordinating or managing research at KUMC.

Exemptions:

Payments to nonresident aliens for independent personal services follow a different set of IRS tax rules. Please contact your Sponsored Programs Administration Post-Award Administrator for guidelines on reimbursing a non-employee nonresident for independent personal services: <http://www2.kumc.edu/researchinstitute/spa/spastaff.html>

Related Policies and Links:

IRS Form W-9: http://www2.kumc.edu/researchinstitute/spa/SPA_Forms/fillable_w-9_form.pdf
KUMC Office of Compliance Institutional Conflict of Interest Policy <http://www.kumc.edu/Pulse/policy/icoi.html>
KUMC Research Institute Contractual Service Payment Form
http://www2.kumc.edu/researchinstitute/spa/SPA_Forms/Contractual%20Service%20Form.doc
KUMC Research Institute Policy 6.1.05: Non-cash Research Subject Incentives
http://www2.kumc.edu/researchinstitute/spa/SPA_Forms/NonCash_Subject_Incentives.pdf
KUMC Research Institute Policy 6.1.06: Payments to Non-Employee Nonresident Aliens
http://www2.kumc.edu/researchinstitute/spa/documents/Nonresident_Alien_Policy.pdf

Contacts:

Vice Chancellor for Research: 913-588-7068
Associate Vice Chancellor for Research Administration: 913-945-6636
Senior Deputy Director and Chief Financial Officer: 913-588-5469
Director of Sponsored Programs Administration: 913-588-1259
Controller: 913-588-5749

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