

# Dixie State University Policy

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## 207 Independent Contractors



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### **I. Purpose**

- 1.1 The objective of this policy is to provide guidelines by which persons or companies who are providing services to Dixie State University can be properly classified as Independent Contractors. The policy also provides guidelines by which necessary information can be gathered for the proper reporting of Independent Contractors to the federal government. This policy complies with existing regulations of the Internal Revenue Service.

### **II. Definitions**

- 2.1 A W-9 Form is required for recording the basic information of an Independent Contractor. This includes the contractor's name, address and Taxpayer Identification number.
- 2.2 A W-4 Form is required for recording the name, address and Taxpayer Identification number for employees.
- 2.3 An I-9 Form is required to be filed by new employees to determine their eligibility to work in the United States.
- 2.4 A 1099 Form is required to be submitted to the federal government for all Independent Contractors who have received payments of \$600 or more.
- 2.5 An "Independent Contractor Agreement" is a contract between an independent contractor and the University. The contract states the purpose, responsibilities, and liabilities of each party. This form is used for all payments over \$1,000 or more.
- 2.6 "20 % Backup Withholding" is a term used by the IRS. It relates to required federal income tax withholding of 20% of compensation when insufficient

information is available to calculate normal withholding.

### **III. Payment of Contracted or Extra Services**

- 3.1 Requests for payments to all construction contractors should use the "Independent Contractor Agreement". Other contractual agreements may be used only if they contain the same basic requirements as the "Independent Contractor Agreement". This agreement must be signed prior to the performance of any work.
- 3.2 Payments of \$1,000 or more for non-construction contractor services should also be requested on the "Independent Contractor Agreement". This agreement must also be signed prior to the performance of any work.
- 3.3 Payment in amounts less than \$1,000 for non-construction contractor services should be requested on the "Request for Payment of Contracted or Extra Services" form. A business invoice may also be used.
- 3.4 All forms can be obtained from the purchasing or payroll offices.

### **IV. General Items**

- 4.1 All persons or companies, other than corporations, who want to be paid for services rendered will be required to file a W-9 form with the college before receiving payment. These services may include, but are not limited, to the following:
  - 4.1.1 Payments for services provided to a company by people not employed by the company. This includes payments which are composed of various elements of which a substantial portion constitutes services.
  - 4.1.2 Payments to construction companies.
  - 4.1.3 Payments for piano tuning, disking fields, taking photographs or other primarily service related activities.
  - 4.1.4 Payments to lawyers, architects, engineers, plumbers, electricians, and other professional persons or companies.
  - 4.1.5 Payments to non-employees for travel reimbursements.
  - 4.1.6 Payments for rents, royalties, prizes and awards that are not for services.
  - 4.1.7 Payments to physicians, physicians' corporations, or other suppliers of

health and medical services.

4.1.8 Directors' fees and other fees paid to individuals or companies.

## **V. Guidelines for Payments Made Before a W-9 Form is Received**

- 5.1 It becomes the responsibility of the budget director for whom the service is provided to insure that the W-9 form is received and given to the Accounts Payable office.
- 5.2 Failure by the director to obtain the W-9 form within three working days after a payment is made to an Independent Contractor will result in the budget director's account being charged for the potential tax and penalty liability to the college.
  - 5.2.1 This liability is created when the University fails to follow IRS guidelines which require that the University must have a W-9 form on file for all Independent Contractors.
  - 5.2.2 This liability includes a failure to file penalty of \$100 and 20% backup withholding for failing to have the taxpayer identification number on file.
- 5.3 Ordinarily these amounts will be refunded to his account when the W-9 form is received by the Accounts Payable department.
- 5.4 If the W-9 form is not received before 1099's are filed each January 1st, the charges for penalty and withholdings will be permanent. The college will use the forfeited moneys as it deems appropriate, including to pay IRS assessed fines, penalties and withholdings.

## **VI. Forfeited Funds**

- 6.1 All instances of forfeited funds will be subject to review by the Vice President for Administration and Information Technology and possible disciplinary action.

## **VII. Procedures**

- 7.1 Requests for payments to vendors which fit within this policy will be submitted on a "Payment for Contracted or Extra Services" form, (see section 3 above). This form will be accompanied by a W-9 form.
- 7.2 These forms will be forwarded to payroll.

- 7.3 Payroll will check the forms to determine if the payment should be reclassified as a payment to an employee. If such a reclassification is made, the budget director will be required to submit a W-4 and an I-9 form.
- 7.4 Requests determined not to be for wages will be returned to Accounts Payable. Payments to vendors will be made within three working days after the correct documentation is received by Accounts Payable.
- 7.5 Requests received by Accounts Payable not accompanied by a W-9 form, but with a promise to provide the W-9 form following payment, will be listed in a log.
- 7.6 The W-9 log will be given to the Vice President for Administration and Information Technology on or before January 31st of each year.
- 7.7 Budget directors who disagree with the classification of the payment as an employee or an Independent Contractor may, by letter, request a review from the Vice President for Administration and Information Technology before the payment is made.

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Policy Owner: VP Administrative Affairs

History:

Approved 6/6/97