

## **CASH DISBURSEMENTS – INDEPENDENT CONTRACTORS**

The complex and ever-changing Internal Revenue Code and IRS rules, regulations and procedures sometimes make it difficult to make the distinction between employee status and independent contractor status and are often subjective in nature. **Contact the USM Foundation before making a commitment, if you need to pay an individual for personal services and it is not through an incorporated organization.**

**Please do not pay for any outside services with a personal check, unless you checked in advance with our Business office as you may not be able to receive reimbursement from the USM Foundation.**

### ❖ ***GUIDELINES RE INDEPENDENT CONTRACTORS***

- ◆ The following persons can be treated as independent contractors, IF they are U.S. citizens:
  - Guest Lecturers (e.g. a person who lectures at a conference or workshop)
  - A person who provides the same or similar services to other entities or to the general public as part of a trade or business
- ◆ If it is determined that the person is a **non-resident alien**, it might be impossible for the USM Foundation to compensate the person. *(See section on CASH DISBURSEMENTS – FOREIGN NATIONALS for more information.)*

#### \* **Required Documentation:**

- ✓ Copy of Independent Contractor Agreement (*The USM Foundation has a standard form that is recommended*) or copy of the invitation to lecture (if appropriate)
- ✓ Invoice from the contractor (*not required if person is a guest lecturer*)
- ✓ Completed Form W-9 (*Request for Taxpayer Identification Number and Certification*) (*see Appendix page A-26*)

PAYMENT TO THE INDIVIDUAL CANNOT BE PROCESSED UNTIL A COMPLETED W-9 FORM IS RECEIVED.

#### \* **Tax Issues:**

- ☆ A completed Form W-9 (*Request for Taxpayer Identification Number and Certification*) must be executed for each person to be paid as an independent contractor. The person's social security number, home address and signature must be included on the form.
- ☆ Payments for services by non-employees (independent contractors) are reported to the recipient and to the IRS on a Form 1099.

IF THE PERSON FOR WHOM PAYMENT FOR PERSONAL SERVICES IS REQUESTED CANNOT BE CLASSIFIED AS AN INDEPENDENT CONTRACTOR, THEY MUST BE PAID AS AN EMPLOYEE. CONTACT THE PAYROLL ADMINISTRATOR FOR ASSISTANCE. **IF THE PERSON MUST BE PAID AS AN EMPLOYEE, WE MUST HAVE ON FILE A COMPLETED I-9 WITHIN THREE (3) DAYS OF THAT PERSON STARTING EMPLOYMENT.**