Processing Payments to People (non-employees)

Presented by
Boise State Accounts Payable
Agenda

• What drives our policies and how we design our procedures
• Definition of Terms
• Who are you paying?
• The Processes
• IC Classification guidelines
WHAT DRIVES OUR POLICIES AND HOW WE DESIGN OUR PROCEDURES
• **Federal Regulations**
  – Internal Revenue Service (20 factors, Pub 1779, Pub 15-A, Topic #762)
  – Department of Labor (Fact Sheet 13, Fair Labor Standards Act 1938)

• **State Statutes**

• **Boise State Policy**
  – IC Policy 6150
  – Purchasing Card Policy 6140
Many factors must be considered when designing procedures at Boise State University
DEFINITION OF TERMS
Services

- A good that doesn’t have a physical nature, it is untouchable, doesn’t have physical presence
- The action of doing work for someone
- Example – consulting, performing, refereeing, speaking, ASL interpreter, custom-made product, etc.
## Business Entity
- Corporations
- Partnerships
- Multi-owner LLC
- Governmental agencies & trusts

These entities are presumed independent contractors.

We retain the right to classify any service provider as an employee.

## Non-business Entity
- Individual
- Single-member LLC
- Sole Proprietors

These entities require us to make a determination whether Independent Contractor or Employee.

The IC Classification Checklist is required.

**Contingent on how they file their taxes....Substitute W-9/Direct Deposit Form**
## Independent Contractor Checklist

### II. General Information

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>Is the service provider a guest lecturer who will only be reimbursed for travel expenses and/or receive an honorarium of less than $600?</td>
<td>Yes</td>
</tr>
<tr>
<td>b</td>
<td>Is the individual receiving a training stipend to participate in a University training session or program?</td>
<td>Yes</td>
</tr>
<tr>
<td>c</td>
<td>Is the service provider a corporation, partnership, multi-member limited liability company (LLC), or a governmental agency or trust with an employer identification number (EIN)?</td>
<td>Yes</td>
</tr>
</tbody>
</table>

In Section II General Information c.
- Answer “Yes” if service provider is a Business Entity by definition
- Answer “No” if service provider is a Non-business Entity by definition
Employee

- An individual who is hired to perform services that are a key aspect of the University
- Generally, you control what will be done and how it will be done
- Usually guaranteed a regular wage, receives a steady paycheck (i.e. payroll intervals) and has reimbursed expenses

Independent Contractor

- An individual who provides a unique service or has a particular set of skills not available elsewhere in the University.
- Typically, you only control the result (not the way or how it will be done), have a separate workplace, are not supervised by a university employee, and only needed for a specific timeframe & project.
- Unreimbursed expenses and can realize a profit or a loss
Honorariums

• A token payment (to express gratitude) of $599 or less within a calendar year
• "Token" also includes recurrence (# of visits)
• Made to a person for their services for which fees are not traditionally required

• Account Codes –
  – True Honorarium – 512400
  – If looks more like a service - 519900
  – Reimburse Expenses – 599000
Stipends

- True Definition - A payment used to defray educational expenses such as tuition, fees, books, and supplies paid to the student or faculty
- Campus Definition – A payment to an individual participating in an event (for their attendance, no services rendered)
- “Stipend” is not a term used in Accounts Payable

Participants

- A person who takes part in something (program, activity or event)
- An amount paid for the benefit of an attendee (of a class, workshop, or training) for their attendance or participation ONLY, not for services rendered
Blanket Purchase Agreement

- Used to monitor IC assignment/contract
- BPA# assigned when IC approved
- System auto-generates PO
- Funds are **not** encumbered
Local Engagement Agreement

- Use for contracts with artists for performance-type services and if you plan to either sell merchandise or advertise the event using the person’s name and image.
- Example: a guest reader, concert performance, may want to put up posters or have ads using their name – in the LEA, the individual is giving you permission to do these things & has provisions for selling merchandise

Contract for Services

- Use for contracts with professional consultants, contractors, etc.
- Example: facilitator, consultant, presenter, etc.

For additional information please visit Office of the General Counsel web page (http://generalcounsel.boisestate.edu/) or call their main number (208) 426-1203.
Who are you paying?

People

Employee

Non-employee

Human Resources

OFC T&E

Independent Contractor

Honorarium

Student & Participant

Travel Reimbursement
Non U.S. resident?

If the guest or Independent Contractor of the university is an international visitor please contact Tax Reporting at taxreporting@boisestate.edu before making any arrangements or payments or reimbursements.

The university could be subject to significant fines or penalties if we fail to comply, which will become your area's responsibility to pay, so please check before committing funds on behalf of international visitors.
Payments to Students

When paying a student who is not an employee, you should consult student financials.

In general, reimbursements may follow the procedures outlined for non-employees but most other payments should be processed using an SF upload and/or payment as an employee.

SF Upload Payments Determination
Student Payment Determination

This flowchart does not apply to:

Students who are not currently enrolled at Boise State University
Non-service Fellowships, which are processed through Student Financial Services on an SF-upload Form
Prizes and Awards, which are processed through Accounts Payable and reported on a Gift Award Form
Student refunds - process through Student Financials on SF-upload form
International Student Payments - process through Student Financials on SF-upload Form

BSU makes payment to student

Is student currently a student employee?

Yes

No

Does student receive compensation for services - past, present, or future?

Yes (Note 1)

No

Does BSU exercise control by directing and supervising the activity performed?

Yes

No

Does BSU determine activity to be performed based on BSU needs? Or would BSU pay another individual to perform these same functions?

Yes

No

Is BSU the primary beneficiary from the activity? (Benefit is more than de minimis or is significant)

Yes (Note 2)

No

Payment for services performed?

Yes

No

Does student employee request expense reimbursement or travel advance?

Yes

No

Does student request expense reimbursement or travel advance?

Yes (Note 3)

No

Is expense reimbursement or travel advance primarily for the benefit of the student's education as opposed to the University's business?

Yes (Note 4)

No

Treat as scholarship stipend. Process through Student Financial Services via the SF-upload Form. All international student payments must be processed via the SF-upload Form.

Treat as Business Expense. Process through OFC Accts. Payable via the Travel Expense System.

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Student Financials Upload Form

**TIP:** If department determines that students should be reimbursed via Student Financials, and you want the reimbursement to go directly to the student, put a comment in the **Handling Instructions** column to “Please refund to student”.

<table>
<thead>
<tr>
<th>Type</th>
<th>Fund</th>
<th>Department</th>
<th>Cost Center</th>
<th>Account</th>
<th>Supplemental</th>
<th>Project</th>
<th>Payment Amount</th>
<th>Description</th>
<th>Handling Instructions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Please refund to student</td>
</tr>
</tbody>
</table>
THE PROCESSES

OFC Purchase Requisitions
Non-employee Reimbursements
Payments to People
Independent Contractors
OFC Purchase Requisitions

Two Ways to Create Requisitions

The requester originates an on-line requisition that is submitted for approval and is routed to Accounts Payable Department for processing. (The Item Type will be goods or services billed by amount and the Category Name will be Payment Request.)

Non-Catalog

- Type = “goods or services billed by amount”
- Category Name = “Payment Request” for Accounts Payable processing

Shop Catalog

- Search by Blanket Purchase Agreement number (BPA#) for Independent Contractors
Three Types of Requests
(only looking at two for this training)

Payment Request
• Accounts Payable receives request with Category Name “Payment Request”
• Goods received (not tied to Standard PO), services performed (non-independent contractor), honorariums, subscriptions, memberships, participants, etc.

Independent Contractor - BPA
• Accounts Payable receives request for IC classification (PRIOR to service start date)
• Once approved, Accounts Payable creates a Blanket Purchase Agreement and notifies the department with this information
• When service completed, the requester will enter the BPA# via Shop Catalog to retrieve the BPA from the system catalog for this specific assignment

Third type – Standard PO (ALL Items)
NON-EMPLOYEE REIMBURSEMENTS
Job Candidates

• Procedure
  – Substitute W-9 is not required
  – Create Payment Request Requisition in OFC, attach documentation, and Submit

• Required Documentation
  – Completed Non-employee Travel Reimbursement Form (include itemized receipts for any non-per diem expenses being reimbursed; itinerary/agenda of visit clearly showing daily business activity of traveler)

NOTE: non-employee travel expenses will be reimbursed at the same rates as those established for state employees
## Non-Employee Travel Reimbursement Form

### Purpose of Travel:
- [X] Job Candidate
- [ ] Student
- [ ] Guest

### PCN: 

### Name of Payee:
(as it should appear on payment)

### Mailing Address:
- Street:
- City:
- State:
- Zip:

I certify that the above address information is correct, this expense summary is accurate, and that I personally paid the expenses indicated.

Signature of Payee: ___
Date Signed: ___

### Additional Required Supporting Documentation:
1. Itemized receipt(s) for any non-per diem expenses being reimbursed.
2. Itinerary of visit clearly showing the daily business activity of traveler.
3. For meals provided, a list of attendees should be included in the itinerary.

Note: Non-employee travel expenses will be reimbursed at the same rates as those established for state employees.

Independent contractors will not be reimbursed for travel expenses. Contact accounts-payable@boisestate.edu for more information.

### Calculate Per Diem:
1. Enter the travel dates; 2. Place a "P" in the square for meals that were provided by Boise State; and 3. Place an "X" in the square for meals covered by non-employee.

<table>
<thead>
<tr>
<th>Date</th>
<th>All (Per Diem Amount)</th>
<th>Breakfast (25%)</th>
<th>Lunch (55%)</th>
<th>Dinner (55%)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>45.00</td>
<td>11.25</td>
<td>15.75</td>
<td>24.75</td>
<td></td>
</tr>
</tbody>
</table>

### Calculate Other Expenses:
1. List all other expenses. 2. Indicate whether paid by non-employee, university P-card, or current employee. Note: Itemized receipts required for items listed in this section.

<table>
<thead>
<tr>
<th>Description</th>
<th>Paid By</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation (airfare, private vehicle mileage, etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lodging (attach itemized receipt)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ground Transportation (taxi, shuttle, rental car, etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meals as part of Business Purpose (attach lists of attendees)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other (provide description and purpose)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other (provide description and purpose)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total Cost of Travel: 0.00
Total Due Non-Employee: 0.00
Other Non-employee Reimbursements

• Procedure
  – Substitute W-9 is required
  – Create Payment Request Requisition in OFC, attach documentation, and Submit

• Required Documentation
  – Non-employee Travel Reimbursement Form (include itemized receipts for any non-per diem expenses being reimbursed; itinerary/agenda of visit clearly showing daily business activity of traveler)

NOTE: non-employee travel expenses will be reimbursed at the same rates as those established for state employees
Non-Employee Travel Reimbursement Form

Purpose of Travel: [Check One] Job Candidate Student X Guest

PCN: IDR: 

Name of Payee: (as it should appear on payment)

Mailing Address:
Street:
City State Zip:

I certify that the above address information is correct, this expense summary is accurate, and that I personally paid the expenses indicated.

Signature of Payee: Date Signed:

Additional Required Supporting Documentation:
1. Itemized receipt(s) for any non-per diem expenses being reimbursed.
2. Itinerary of visit clearly showing the daily business activity of traveler.
3. For meals provided, a list of attendees should be included in the itinerary.

Note: Non-employee travel expenses will be reimbursed at the same rates as those established for state employees.

Independent contractors will not be reimbursed for travel expenses. Contact accounts-payable@boisestate.edu for more information.

Per diem in Idaho is set at $45.00 per day for all travel paid by the university. Rates outside of Idaho are set by GSA or the U.S. State Department. Per diem is defined as an allowance for meals and Incidental. No per diem is allowed for meals provided.

Calculate Per Diem: 1. Enter the travel date in the “Date” column. 2. Add the meals that were provided by Boise State. 3. Place an “X” in the square for the employee.

<table>
<thead>
<tr>
<th>Date</th>
<th>All</th>
<th>Breakfast</th>
<th>Lunch</th>
<th>Dinner</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>25%</td>
<td>35%</td>
<td>55%</td>
</tr>
<tr>
<td>2012</td>
<td>11.25</td>
<td>15.75</td>
<td>24.75</td>
<td></td>
</tr>
</tbody>
</table>

Calculate Other Expenses: 1. List all other expenses. 2. Indicate whether paid by non-employee, university P-card, or current employee. Note: Itemized receipts required for items listed in this section.

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<td></td>
</tr>
<tr>
<td>Other (provide description and purpose)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Other Section – Meals (total of receipts)

Total Cost of Travel 0.00
Total Due Non-Employee 0.00
Stipend/Participant Payments

STIPENDS – payments to participants, any amount

• Procedure
  – New Supplier – submit Substitute W-9 to Accounts-payable@boisestate.edu
  – Create Payment Request Requisition in OFC attach documentation and Submit

• Required Documentation
  – Attach copy of flyer, agenda, advertisement for the event
  – Attach copy of Grant Award – only pages with Scope of Work, Amounts Paid and Signature Page
Payments to People (non-employee)

If the university is paying an individual for services; then there are two primary options for payment:

1. Honorarium under $599; no IC pre-approval
   - Not all payments under $599 are honorarium (i.e. participant payments, medical survey participants, royalties)

2. All other payments for services (any amount) or Honorarium payments over $599; IC pre-approval required (exception – royalties, participants, medical survey participants)
   - Independent contractor classification review could result in classification as an employee
Honorarium Payments

Honorariums under $599
• Procedure
  – New supplier – submit Substitute W-9 to Accounts-payable@boisestate.edu
  – Create Payment Request Requisition in OFC
• Required Documentation
  – Attach copy of flyer, agenda, advertisement of the event,
• Recommendation
  – Local Engagement Agreement or Contract for Services

Honorariums Plus (honorarium under $599)
• Procedure
  – New supplier – submit Substitute W-9 to Accounts-payable@boisestate.edu
  – Create Payment Request Requisition in OFC
• Required Documentation
  – Attach copy of flyer, agenda, advertisements of the event
  – PLUS – travel reimbursed – include completed Non-employee Travel Reimbursement Form (not necessary to sign) include itemized receipts for any non-per diem expenses. If not provided, will include amount in 1099 tax reporting
• Recommendation
  – Local Engagement Agreement of Contract for Services
Independent Contractor Payments

Procedures (BEFORE services begin)

• Vendor Information Form (VIF) or W9 (or W8) required for all vendors

• On-line IC Classification Checklist submitted BEFORE services begin
  – If approved; BPA# is assigned and emailed to requestor
  – If not approved; next steps are emailed to requestor

• Contract for Services or LEA for ALL IC regardless of dollar value
  – Standard signature authority rules apply
  – No legal review required if using standard, unmodified forms & under $10k
  – Department must keep copy of insurance requirements on file
Independent Contractor Payments

Procedures (AFTER services are completed)
• Submit payment using the assigned BPA #
• Attach copy of the executed Contract for Services (or LEA) & copy of invoice


OFC has created a Reference Document or Guide called Payment Decision Tree – https://vpfa.boisestate.edu/process/UFS-training/OFC/Payment-Decision-Tree.pdf
HOW TO CREATE AND SUBMIT IC PAYMENTS

Login to the Oracle Fusion Cloud (OFC) system

Navigate to the Purchase Requisitions (little green shopping cart) icon. STOP!

In the **Search** field (upper left of screen), enter BPAXXXXXXX (Blanket Purchase Agreement number). Click the button.

**EXAMPLE A:**

![Search Catalog](image-url)
This screen will open.

**EXAMPLE B:**

- **Search Results**

  - Search Catalog

  - Search bpa100124

- **Search Results: bpa100124**

  - View | Detach | Sort By | Relevance | Expand Search

<table>
<thead>
<tr>
<th>Editor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category Name</td>
</tr>
<tr>
<td>Supplier</td>
</tr>
<tr>
<td>Supplier Item</td>
</tr>
<tr>
<td>Amount</td>
</tr>
<tr>
<td>Item Agreements</td>
</tr>
<tr>
<td>Add to My Shopping List</td>
</tr>
</tbody>
</table>

Change the **Amount** to reflect the invoice amount. Click **Add to Requisition** button.
On this screen, upper right corner, click the **Edit and Submit** button.

**EXAMPLE C:**
Most of the fields are auto populated from the BPA. Enter Justification and attach the required documents for processing payment.
If you have special handling notes – enter “SPECIAL HANDLING (contact name & phone #)”
EXAMPLE D:

SPECIAL HANDLING – CALL MeMe at 6-1111 for check pick up from P&D
Scroll to lower portion of screen. In this section you will enter a Project Number (if tied to grant funding) or enter the appropriate Charge Account string. EXAMPLE E:

<table>
<thead>
<tr>
<th>Project Number</th>
<th>Task Number</th>
<th>Expenditure Item Date</th>
<th>Expenditure Type</th>
<th>Expenditure Organization</th>
<th>Contract Number</th>
<th>Funding Source</th>
<th>Charge Account</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4444.90410.4444444.4444444.4444444</td>
</tr>
</tbody>
</table>
Independent Contractor

CLASSIFICATION
Overview

- IRS default = Employee
- University must demonstrate IC
- Penalties for misclassification as IC
Employee or Independent Contractor?

- Boise State cannot choose one classification over another. The IRS has strict guidelines and are heavily enforced.
Characteristics of the ASSIGNMENT and INDIVIDUAL must be considered within the CONTEXT OF THE UNIVERSITY to determine Independent Contractor or Employee status.
Independent Contractors

The classification of individual is based primarily on three key areas:

- **Behavioral Control**: Do we control or have the right to control what & how the work is performed; provide training?

- **Financial Control**: Do we control how expenses are paid, provide materials & supplies; provide space?

- **Type of Relationship**: Will the relationship continue on an ongoing basis; Is work performed a key aspect of our business; Do we pay others as employees for performing similar work?

**NOTE**: The answer to these questions should be “NO”.
Independent Contractor Examples

• Typically, independent contractors are individuals who provide professional, creative or technical services to the university for a fee with minimal oversight & resources from Boise State. Examples include:
  – judges, referees, translators for the hearing impaired
  – graphic designers, actors, singers, DJs, bands, jugglers, magicians, comedians
  – game officials, consultants
Employee Examples

• Typically, employees are individuals who perform work that is a part of the regular core business of the University. Examples include:
  – Teaching
  – Curriculum development
  – Research
  – Any work we pay others as employees; or work that requires significant oversight & resources from Boise State
The Lifecycle of:
Independent Contractor Classification

START

Department – submit IC Classification Checklist to AP for review PRIOR to service start date

IC begins to provide service.

THE LIFE CYCLE OF:
Independent Contractor Classification

AP e-mails department with determination – if approved will receive supplier # and BPA #

Department – enter into contract. Start date/End date and Fee for Service should match approved IC information

IC completes the service by the approved End Date. IC Classification expires.

END
INDEPENDENT CONTRACTOR CLASSIFICATION CONSIDERATIONS

Approval = Individual + Assignment + Range of Dates + Contract
(a change to any factor requires new IC Checklist approval and new BPA#)
WHY IS INDEPENDENT CONTRACTOR CLASSIFICATION SUCH A BIG DEAL?
Penalties & Fines for Misclassification

In cases where misclassification is deemed unintentional, an employer may be charged the following:

- A $50 fee for each W-2 that was not filed
- 1.5% of the employee’s wages, plus interest
- 40% of the employee’s FICA (Social Security and Medicare) contributions
- 100% of the employer’s matching FICA contributions

And that’s just if an employer didn’t mean it.

If the DOL suspects that misclassification was intentional, however, an employer can be charged the following:

- 20% of all employee wages paid
- 100% of FICA contributions for both employee and employer
- Up to $1,000 in criminal penalties per misclassified employee
- Up to 1 year in prison

The individual responsible for the misclassification can also be held personally accountable.
Conclusion

If you are not sure how the individual should be classified, contact Accounts Payable or Payroll!

Please help educate others in your department/unit about required processes prior to any services beginning.