

	AP 105
	Independent Contractor Payments
	Prepared By: Director of Procurement Services, Associate Controller- Disbursements & Taxation
	Approved By: Associate VP Finance & Controller Effective Date: January 1, 2019

<p>Purpose</p> <p>Payments to independent contractors require appropriate documentation to determine the correct classification of the contactor.</p>
<p>Policy</p> <p>Departments are responsible to provide the necessary documentation to ensure that individuals including ex-employees hired to perform personal services are properly classified as either an employee or independent contractor.</p> <p>The Internal Revenue Service follows the common law rules of behavioral control, financial control, and type of relationship when determining the status of whether the individual performing services is an employee or independent contractor.</p> <p>Although no one factor is determinative and each situation must be separately analyzed, an independent contractor relationship is generally supported in part by the following factors:</p> <ol style="list-style-type: none"> 1. The individual is free from control and direction in connection with the performance of the service, both under his/her contract for the performance of service and in fact. The relationship of employer and employee exists if IIT has the RIGHT to direct and control the individual who performs the service. It is not necessary that IIT actually direct or control the individual, it is sufficient if the employer has a right to do so. The right to control how a worker performs a task includes training and instructions and a requirement that the worker be on the job at a certain time. 2. The service is performed outside IIT’s usual course of the business. 3. The individual is customarily engaged in an independently established trade, occupation, profession or business of the same nature as that involved in the service performed. <p>The procedures below should be followed when engaging individuals for services.</p>
<p>Procedures</p> <ol style="list-style-type: none"> 1. To help determine whether an individual is an independent contractor or an employee, the Purchasing Department requires the completion by the hiring department of an “Employee/Independent Contractor Determination Questionnaire”. The questionnaire is

based on the latest IRS guidelines used to help determine whether an individual is an employee or independent contractor. The completed questionnaire is reviewed by the Director of Procurement Services and if necessary, by the Associate Controller Disbursements & Taxation.

2. If the determination is made that the person is an independent contractor, the hiring department must provide an "Agreement for Consulting Services". The agreement is sent to the Purchasing Department where it is kept as part of the independent contractor's file.
3. If the individual is an ex-employee and is doing business using a name that is in any way different from that of the ex-employee's name, accounts payable should establish a new "A" number in Banner using the new business name. In addition, a W9 should be requested if they are operating under a new tax identification number. If the ex-employee performed independent consulting work using their previous name as their business name, a new "A" number is not necessary. Their previous "A" number on file when they were an employee should be used.
4. After the new tax identification number is entered into Banner by accounts payable, the W9 should be sent to the purchasing department and kept as part of the independent contractor's file.
5. If the individual is operating as a sole practitioner and has not established themselves as an LLC, PC, or Corporation (done on a W9), they will be issued a Form 1099MISC at year end to report payments **of \$600 or more** they received for services rendered as an independent contractor.
6. No Form 1099MISC is required if the individual is operating as an LLC with a tax classification of C Corporation or S Corporation. However, if the classification is that of a partnership, a 1099MISC will be issued by accounts payable. **All corporations to which medical and health care payments are made as well as attorneys' fees and gross proceeds payments of \$600 or more will be issued a 1099MISC.**

References

None

Responsibilities

Department- Responsible for completing employee/independent contractor determination questionnaire and obtaining agreement for consulting services that will ensure proper classification as employee or independent contractor.

Director of Procurement Services - Ensure all documentation is received and maintained.

Associate Controller- Disbursements & Taxation- helps make status determination based on review of documentation.

Accounts Payable Department - Issue 1099MISC when required.

Required Forms

- Employee/Independent Contractor Determination Questionnaire
- Agreement for Consulting Services
- Form W9