

Payments to Nonemployees

Authority This Guide Memo is approved by the Vice President for Business Affairs and Chief Financial Officer.

Summary This Guide Memo describes or references procedures for authorizing payment for services to the University by individuals who are not University employees. Stanford Linear Accelerator Center (SLAC) currently applies the applicable policies contained herein. SLAC departments should consult SLAC Business Services Division for SLAC procedures which differ from those set forth below.

For information about faculty honoraria, please see the Faculty Handbook, <http://facultyhandbook/ch5.html>.

Section headings for this Guide Memo are:

1. CLASSIFICATION OF WORK PERFORMED
2. TAX REPORTING
3. PAYMENT METHODS
4. TEMPORARY HELP AGENCIES
5. PAYMENTS TO NONRESIDENT ALIENS
6. PAYMENTS TO NON-CALIFORNIA RESIDENTS
7. SUPPLEMENTAL RESEARCH SUPPORT TO VISITING SCHOLARS

1. CLASSIFICATION OF WORK PERFORMED

Whether an individual is an employee or an independent contractor is determined by the facts in each case. For information about how the University determines whether an individual is an employee or an independent contractor, see Guide Memo 35, University Payroll, <http://adminguide.stanford.edu/35.pdf>, section 1.

2. TAX REPORTING

Stanford reports all payments to applicable tax authorities as required by law. Payments to independent contractors are reported annually to the Internal Revenue Service on IRS Form 1099-Misc., mailed in January for payments made in the previous calendar year, or IRS Form 1042S for Nonresident Aliens, which are mailed by March 15th for payments made in the previous calendar year. Additionally, these payments are reported bi-weekly to the California Employment Development Department (EDD), and, for California nonresidents, are reported annually to the California Franchise Tax Board (FTB) on CA FTB Form 592B, mailed in January for payments made in the previous calendar year.

3. PAYMENT METHODS

a. General Rules – General rules are:

- For payments to corporations, individuals on contract, or individuals with total services in excess of \$2,500, use a standard requisition in Oracle Financials iProcurement.
- For payments to individuals with total services less than \$2,500, use an Oracle Financials iProcurement Rapid Purchase Order.
- For honoraria payments to speakers or participants in workshops, use Oracle Financials iOU Other Checks. Honoraria payments are considered "token" payments and are subject to the same tax reporting requirements as services payments to independent contractors (see Section 2).
- For payments to caterers, use Oracle Financials iOU Other Checks or the Purchasing Card. The Purchasing Card has a limit of \$2,500. Payments to caterers are subject to the same tax reporting requirements as services (see Section 2).

NOTE: Payments for services rendered may NOT be processed through petty cash.

b. Use of Purchasing Requisitions – A Purchasing Requisition is used to set up contracts with vendors of services to the University. For more information see Guide Memo 54, Requisition Processing, <http://adminguide.stanford.edu/54.pdf>.

(1) **Timing of Request** – The purchase requisition should be processed before the services are performed.

(2) **Required Information** – The following information must be included:

- Payee name and address
- Time period
- Amount to be paid
- Statement of work to be performed
- Location of work performed
- Payment schedule
- A completed W-9 which will include information regarding:
 - Social Security number or business tax identification number
 - Citizenship status
 - California residency status

4. TEMPORARY HELP AGENCIES

If the individual's compensation for work performed at the University is paid by a temporary help agency, the person is employed by the agency, and is not put on the University payroll. The University pays the agency, which is then responsible for tax deductions, Social Security payments, and Worker's Compensation insurance.

a. **Approved Agencies** – Procurement seeks competitive bids every two years from temporary help agencies, and enters into contracts with selected agencies, which are placed on an approved list. Only agencies on the approved list should be used.

5. PAYMENTS TO NONRESIDENT ALIENS

For detailed information, see [Inviting](#) and Paying Foreign Visitors located at http://fingate.stanford.edu/staff/travel/arrange_foreignV.html.

a. **Visa Requirements** – All offers of reimbursements, travel payments or honoraria to foreign visitors are contingent on the visitor entering the United States on a visa that allows the visitor to receive payments (see Guide Memo 28.1, Immigration of Foreign Nationals, http://adminguide.stanford.edu/28_1.pdf).

(1) **Honoraria** – Visitors with J-1 visa status may be paid honoraria but visitors with non-Stanford sponsored visas must have written permission from their sponsoring officer for payment. Visitors with B-1, B-2, WB or WT status may be paid honoraria if:

- The event lasts no more than nine days, and
- Services are a direct benefit to Stanford, and
- The visitor has not received payment from more than five institutions in the past six months.

- (2) **Travel Expenses** – Visitors from countries that have agreements with the U.S. to waive visitor visas (WB and WT) and visitors with J-1, H-1, B-1 or B-2, or A-1/A-2 visa status may be reimbursed for business travel expenses. Visitors with B-2 visas or WT status must conform to the restrictions listed in (1) above.

b. Tax Information –

- (1) **All Visitors** – For non-payroll payments to foreign visitors holding valid visas, the department must submit a Declaration of Tax Status (Stanford Form LA-6, and copies of passport, visa and I-94 card with the Oracle Financials reimbursement request. See Requesting Payment section of [Inviting](#) and Paying Foreign Visitors located at http://fingate.stanford.edu/staff/travel/arrange_foreignV.html.
- (2) **Visitors from Treaty Countries** – If the visitor's country of residence has a treaty with the U.S., the following forms may also be required, depending on what type of payment is proposed:
- Internal Revenue Service Form 8233, <http://www.irs.gov/pub/irs-pdf/f8233.pdf>, Exemption From Withholding on Compensation for Independent Services of a Nonresident Alien Individual for honoraria or services
 - Certificate of California Residence, if applicable. Note that a tax treaty applies only to Federal taxes and does not exempt an individual from California withholding taxes.

The Travel section of the Gateway to Financial Activities website, <http://fingate.stanford.edu/staff/travel/forms.html>, contains links to printable versions of most of these forms.

- c. Tax Identification Number** – An Individual Tax Identification Number (ITIN) or Social Security Number (SSN) is necessary if the payment is for an honorarium and the visitor is claiming a tax treaty by submitting the appropriate exemption form (see Section 5.b.(2) above).
- d. Withholdings** – If there is no Social Security Number (SSN) or Individual Tax Identification Number (ITIN) 30% taxes will be withheld from honoraria payments. If there is no tax treaty, 30% taxes will be withheld from honoraria payments (see Section 5.b.(2) above).

6. PAYMENTS TO NON-CALIFORNIA RESIDENTS

- a. California Withholding at Source** – Payments to an individual who is not a California resident are subject to California withholding at source tax. California law requires that Stanford (the "source" of the payment) withhold 7 percent from payments for non-employee personal services made to an individual who is not a California resident, if the aggregate total of such payments to that individual during a calendar year is \$1,500 or more and services were performed in California.
- b. California Residency Status** – In general, non-employee, non-corporate individuals without a California address, DMV driver's license, or other sufficient evidence of California residency, who will perform their services over a period of less than nine consecutive months, will be presumed to be non-California residents unless they submit a Certificate of California Residence (see below).
- c. Certificate of California Residence** – If an individual claims exemption from California withholding at source on the grounds that he or she is a California resident, no California withholding will be taken from payments that are made after the following procedure has been completed:
- The individual claiming to be a resident must complete California Form 590 (Certificate of California Residence).
 - The original must be submitted with the invoice.

Form 590 is valid for one year; a new form must be completed for a subsequent year.

- d. Mandatory Communication** – The host department administrator must advise any out-of-state visitor in writing and in advance of the requirements in this section.

7. SUPPLEMENTAL RESEARCH SUPPORT TO VISITING SCHOLARS

- a. **Definition** – Supplemental Research Support is payment for research support made by a department to an individual who is not a Stanford employee. Such payments must meet the following criteria:
- Purpose of the payment is to assist the individual in the accomplishment of research for the individual's own purposes.
 - The University has no direct interest in the research (other than its general interest in the advancement of knowledge in all fields).
 - The payment in no way represents compensation for the past, present, or future services rendered by the individual to the University.
- b. **Tax Status** – Supplemental research support is treated in all respects as a fellowship for tax purposes. Fellowships paid to non-degree seeking individuals are taxable
- c. **Procedure** – Supplemental research support payments to visiting scholars are authorized through the Payroll Office (725-5351).

NOTE: supplemental research support to a Stanford faculty or staff member must be processed as supplemental salary. See Quick Steps: Request Recurring Payment at http://financialgateway.stanford.edu/staff/payadmin/quick_steps/request_recurring_pay.html.