5.3.6 PAYMENTS TO NONEMPLOYEES

This Guide Memo describes or references procedures for authorizing payment for services to the University by individuals who are not University employees. SLAC National Accelerator Laboratory (SLAC) currently applies the applicable policies contained herein. SLAC departments should consult the SLAC Office of the Chief Financial Officer website for SLAC procedures which differ from those set forth below. For information about faculty honoraria, please see Chapter 5 of the Faculty Handbook [1].

Authority:
Approved by the Senior Associate Vice President for Finance.

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 2.2.3 [2]: University Payroll, Section 1.

2. Tax Reporting

Stanford reports all payments to applicable tax authorities as required by law. Tax reportable payments are reported annually to the:

- Internal Revenue Service on IRS Form 1099-Misc. and on IRS Form 1042S for Foreign Visitors
- California Franchise Tax Board (FTB) on CA FTB Form 592B

3. Payment Methods

a. General Rules

- For payments to corporations, suppliers requiring a signed agreement, individuals on contract, or individuals performing services, initiate a Standard Requisition in Oracle Financials iProcurement.
For honoraria payments to speakers or participants in workshops, use Oracle Financials Expense Requests Non-PO Payment requests. Honoraria payments are considered “gratuitous” payments and are subject to income tax reporting (see Section 2).

For payments to caterers not requiring a signed agreement, use Oracle Financials Expense Requests Non-PO Payment requests or the Purchasing Card. The Purchasing Card has a limit of $4,999. Payments to caterers are subject to income tax reporting (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 5.3.1 [3]: Requisition Processing [3].

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

(2) Required Information
- 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

Note: The W-9 and all banking or otherwise confidential data should be submitted via the secure Supplier Request Portal [4].

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 Foreign Visitors
For detailed information, see Inviting and Paying Foreign Visitors [5].

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 2.4.1 [6]: Visas for and Employment of Foreign Nationals.

(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,
- Services are a direct benefit to Stanford,
- 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 [5].

Note: all confidential documents and data, including that listed above, should be submitted via the secure Supplier Request Portal [4].

(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 [7]: 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 [8] website contains links to printable versions of most of these forms.

Note: Form 8233 and all banking or otherwise confidential data should be submitted via the secure Supplier Request Portal [4].

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).

Note: Tax Identification Numbers, Social Security Numbers and all banking or otherwise confidential data should be submitted via the secure Supplier Request Portal [4].

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 greater than $1,500 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 fewer 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.

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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[9].


**Links**
[3] https://adminguide.stanford.edu/5-3-1