



Independent Contractor Guide (Payment to Individual Non-Employees)

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(See Professional Services Guide for Payment to Business Professionals)

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Definitions

eCUBE – Electronic Procurement system

Employee – A current employee or an individual whose services are controlled mainly by the University

IRS Checklist – Checklist used by Human Resources to determine if an employee or Independent Contractor relationship exists

Independent Contractor – An individual performing services for the University who can exercise independent control apart from the University, including:

- Speakers
- Performers
- Officials
- Travel (for non-employees)
- Writers
- Contractors

Invoice – Document utilized by Accounts Payable to pay the Independent Contractor

- Single Payment – System Generated
- Standing Order – Supplied by Independent Contractor

MPL – Multiple Payee List

Non-Resident Alien – Any person who is considered neither a United States citizen nor a United States resident alien

OPERS – Ohio Public Employee Retirement System

Other Ohio retirement systems – STRS, SERS, OP&F, HPRS, CRS

PEDACKN – OPERS Independent Contractor/Worker Acknowledgement form

SICA – Standard Independent Contractor Agreement

SR-6/6E – OPERS notice of re-employment or contract services of an OPERS or other system benefit recipient

Overview

Only authorized individuals are permitted to enter into an agreement on behalf of the University for payment of services and travel to non-employees. Before you enter into an agreement, it is up to the Financial Manager to make sure that the funds are available for payment and to complete the documentation for Human Resources to determine if the person should be paid as an employee or an independent contractor.

Oral agreements are not permitted by state law. You may discuss the terms with a contractor, but only a written, completed, and signed Agreement is binding and can form the basis for payment.

The requisition with all required documentation attached must be submitted at least two weeks before the event is to take place to reasonably guarantee that payment can be made when requested. The paperwork must be completed and approved through all channels prior to commencement of any services. The Independent Contractor will receive payment within 30 days of the completion of services provided all paperwork is submitted timely.

Any form that contains a social security number must be **securely** stored or destroyed after the electronic version is created.

Delays will result if the proper signatures are not obtained on the required documentation or information is incomplete. You will be contacted if any concerns arise throughout the approval process.

The required signature on the Standard Independent Contractor Agreement (SICA) to pay an individual for services is:

<u>Dollar Threshold</u>	<u>Signature Approval Required</u>
Up to \$1,500	Associate Dean, Department Chair, or Director
\$1,500 to \$9,999	Dean, Associate Provost, or Associate Vice President
\$10,000 to \$14,999	Division/Area Officer
\$15,000 or more	Vice President for Finance & Business Operations

Independent Contractors are generally charged to account code 701805 – fees and services.

If you have questions regarding non-resident alien contractors please contact Mike Hackstedde as special rules may apply. Mike can be reached via phone at x1732 or email mehackstedde@ysu.edu.

Paper flow, approvals, and payment status will be viewable in eCUBE.

General Procedures

Section A: One-time payment to an individual

1. The department and Independent Contractor will need to complete the following forms:
 - a. SICA Packet (Must be signed according to authorization levels noted in the Overview) (It is the responsibility of the department to ensure the contractor has a complete, signed copy of the agreement).
 - b. OPERS – Independent Contractor Acknowledgement - PEDACKN (Signed by Independent Contractor).
 - c. SR-6/6E if the contractor is an Ohio retirement system benefit recipient.
2. The department will logon to eCUBE and click on the “Independent Contractor – one-time payment” form.
 - a. If the vendor is not set-up in eCUBE, the new vendor information form located on the Procurement Services website at [Procurement Forms under New Vendor Information](#) need to be completed and uploaded by the vendor to the secure site at <https://ysd.ysu.edu/newvendor>. You will be notified once the vendor is available for you to proceed with your requisition.
 - b. The check will be mailed to the Independent Contractor’s address on record (make sure this is correct when you enter the requisition). If the correct address does not appear, follow the instructions on the [New Vendor Information webpage](#) to request an update.
 - c. Enter the total dollar amount for services and travel. See below for more information on travel: Section F.
 - d. If the person is a non-US Citizen, then their country name must be completed in the Country box.
 - e. It is imperative that the question – “Is the Independent Contractor an Ohio retirement system benefit recipient?” be answered correctly.
 - f. If a retiree of YSU is paid as an Independent Contractor **then that person will lose their retirement for the month that they performed work for the University**. If this box is checked properly then Human Resources can follow up with the department and suggest alternative methods for payment.
 - g. Attach a copy of the SICA Packet, the OPERS PEDACKN form, and the SR-6/6E if applicable.
 - h. Add and Go to Cart and process as any other requisition.
 - i. See the [eCUBE Quick Reference Guide](#) for further information.
3. Once the Independent Contractor form is submitted in eCUBE, it will typically electronically route through the following approvals:
 - a. Financial Manager
 - b. Human Resources
 - c. Controller’s Office for Grants or non-US Citizen
4. Once approved, a purchase order will be created and funds will be encumbered in the Banner budget.
5. An invoice will automatically generate and will return to the Financial Manager’s invoice approval queue.
6. AFTER THE EVENT, the financial manager approves the invoice unless changes are required – see #7
7. If the amount to be paid to the Independent Contractor will be different than the amount on the invoice, the Financial Manager will need to detail the change and amount in the comment section on the invoice. This message will be reviewed by Accounts Payable and the amount will be adjusted.
8. After Accounts Payable final review of the invoice, a check will be sent to the Independent Contractor within 30 days after the event.

Section B: Several payments to an individual (Standing Order for an individual)

1. The department and Independent Contractor will need to complete the following forms:
 - a. SICA Packet (Must be signed according to authorization levels noted in the Overview) (It is the responsibility of the department to ensure the contractor has a complete, signed copy of the agreement).
 - b. OPERS – Independent Contractor Acknowledgement – PEDACKN (Signed by Independent Contractor).
 - c. SR-6/6E if the contractor is an Ohio retirement system benefit recipient.
2. The department will logon to eCUBE and click on the “Standing Order for Independent Contractors” form. If there are going to be multiple payments made to the Independent Contractor, you must choose this form. If you chose the Independent Contract Agreement – one-time payment form, then one-payment will be paid and the order will automatically close.
 - a. If the vendor is not set-up in eCUBE, the new vendor information form located on the Procurement Services website at [Procurement Forms under New Vendor Information](#) need to be completed and uploaded by the vendor to the secure site at <https://ysd.yosu.edu/newvendor>. You will be notified once the vendor is available for you to proceed with your requisition.
 - b. The check will be mailed to the Independent Contractor’s address on record (make sure this is correct when you enter the requisition). If the correct address does not appear, follow the instructions on the [New Vendor Information webpage](#) to request an update.
 - c. Enter the required information.
 - d. Enter the total dollar amount for the standing order.
 - e. If the person is a non-US Citizen, then their country name must be completed in the Country box.
 - f. It is imperative that the question – “Is the Independent Contractor an Ohio retirement system benefit recipient?” be answered correctly.
 - g. If a retiree of YSU is paid as an Independent Contractor **then that person will lose their retirement for the month that they performed work for the University**. If this box is checked properly then Human Resources can follow up with the department and suggest alternative methods for payment.
 - h. Attach a copy of the SICA Packet the OPERS PEDACKN form, and the SR-6/6E if applicable.
 - i. Add and Go to Cart and process as any other requisition.
 - j. See the [eCUBE Quick Reference Guide](#) for further information.
3. Once the Standing Order Independent Contractor form is submitted in eCUBE, it will typically electronically route through the following approvals:
 - a. Financial Manager
 - b. Human Resources
 - c. Procurement
 - d. Controller’s Office for Grants or non-US Citizen Services
4. Once approved, a standing order will be created and the funds will be encumbered in the Banner budget.
5. Accounts Payable must receive an invoice for each payment request against the Standing Order throughout the time period. The invoice must include the Standing Order number.
6. Each invoice will route to the Financial Manager for approval in eCUBE. The vendor’s invoice will be attached in eCUBE. The financial manager should click on the attachment to open the invoice and review prior to approval.
7. After Financial Manager approval of the invoice, a check will be sent to the Independent Contractor within 30 days after the event.

Section C: Change orders (Increases/Decreases to existing standing orders)

1. Change orders can be requested by the completion of the Change Order Request form in eCUBE.
 - a. Logon on to eCUBE and click on the Change Order Request form.
 - b. Enter all information.
 - c. In the details of change box – include the new total of the standing order after the changes are made.
 - d. Add and go to cart.
 - e. Process the same as other requisitions. The requisition must have an account and commodity code even though no change is being generated.
 - f. This notification form then routes to a Purchasing Coordinator who will make the change in eCUBE and in Banner.
 - g. The requestor will be notified via eCUBE comments once the change has been made.
2. If an order is being increased, the department must complete a new SICA Packet and attach it to the Change Request form as an internal attachment. The amended agreement (taken as a whole with the original agreement) must follow the SICA authorization levels above.
3. The requestor does not have to complete another IRS Checklist or OPERS PEDACKN form for change orders to existing contractors unless the dates of service have changed but must attach originals to the Change Request form.

Section D: Completing the SICA Packet

1. Check the single or multiple payments box on the SICA at the top of the form.
2. Enter the name of the contractor and address.
3. Enter the description of services.
4. Enter the date(s) of service(s).
5. Enter the cost for services including the entire agreement amount.
6. Date the agreement.
7. Have the contractor sign the agreement first and then send to the University representative for signature.
8. Contractor must answer the question – Are you an Ohio retirement system benefit recipient.
9. Complete the IRS Checklist.

Section E: Payment Authorization Form (PAF) for Multiple Payee List (MPL)

(Can charge only one FOAP). These will still be processed by paper documents.

1. Complete Single IRS Checklist.
2. Complete OPERS PEDACKN form for each individual.
3. Complete SR-6/6E for any applicable individuals.
4. Complete the PAF for MPL.
5. The list must be alphabetized by the last name of the payees.
6. If you know the Banner 'Y' number of the payee, enter it in the 'Banner #' column. If not, you must enter the Social security number in the appropriate column.
7. Agreement forms must be kept in the department and available upon request.

Section F: Travel Allowance

1. If a travel allowance is included in the agreement, the amount should be included in the total to be paid.
2. If it is for travel only, enter "Payment for travel expenses only" in the description box on the eCUBE form. No OPERS PEDACKN form or SR-6/6E (if applicable) is required.
3. It is the responsibility of the Independent Contractor to keep receipts for tax preparation.
4. The amount of the 1099 issued by YSU will equal the amount paid for services and travel.
5. Should the estimated amount of travel allowance need adjusted before final payment, it is the responsibility of the financial manager to add a comment when they approve the invoice for payment so it can be adjusted.
6. Prepayment of flight is generally unallowable.
7. Payment of lodging is generally unallowable.
8. An approved exception from the Vice President of Finance & Business Operations must be obtained prior to booking any flight or hotel reservations for an Independent Contractor.

Employee versus Independent Contractor Guidelines (Additional Information)

Current YSU employees as defined in Policy 7023.01 – Supplementary Pay - cannot be paid as Independent Contractors and must be paid through Payroll. The supplementary pay form can be found on the Human Resources website for non- grant funds or Office of Grants & Sponsored Programs website for grant funds.

The financial manager should complete the IRS Checklist and submit it with all of the required paperwork. If it is not completed, signed, and dated, it will be returned to your office and may delay payment. Please be aware that our internal or external auditors may request to view the Checklist.

Before you can know how to treat payments that you make to individuals for services, you must first know the business relationship that exists between you and the person performing the service(s). The person performing the service(s) may be either an employee or an independent contractor. These guidelines (adapted from [IRS Publication 15-A, Employer's Supplemental Tax Guide](#) - explain these two categories and focus on the differences between an independent contractor and an employee. See the guide if you have any questions.

Who is an Employee?

Anyone who performs services for you is your employee ***if you can control what will be done and how it will be done***. This is so even when you give the employee freedom of action. What matters is that you have the right to control the details of how the services are performed.

If you have an employer-employee relationship, it makes no difference how it is labeled. The substance of the relationship, not the label, governs the worker's status. Nor does it matter whether the individual is employed full time or part time.

To determine whether an individual is an employee or independent contractor, the relationship of the worker and the University must be examined. All evidence of control and independence must be considered. In an employee-independent contractor determination, all information that provides evidence of the degree of control and degree of independence must be considered.

Facts that provide evidence of the degree of control and independence fall into three categories:

behavioral control, financial control, and the type of relationship of the parties.

Who is an Independent Contractor?

People who operate an independent trade, business, or profession, in which they offer their services to the public, are not paid employees of the University. However, whether such people are employees or independent contractors depends on the facts in each case. The general rule is that an individual is an independent contractor if the department for whom the services are performed **has the right to control or direct only the result of the work and not the means and methods of accomplishing the result.**

Typically, YSU treats the following providers of services/products as independent contractors when provided by **non- employees:** (not an exhaustive list)

- Athletic Official (at games)
- Caterer
- Entertainer, Actor, Talent (public event, theater or musical production)
- Guest Speaker (one-time)
- Musical Instrument Tuner/Repair (i.e., piano tuner, etc.)
- Translator: Foreign Language, Speech, or Hearing Impaired
- Payments for Non-Employee Travel
- Writer
- Contractor

OPERS – PEDACKN form

OPERS has created a new form to help ensure compliance with the new pension legislation. The *Independent Contractor Acknowledgement* form must be signed by the Independent Contractor and sent to Human Resources with the packet of information. Human Resources maintains a copy of the form in their office and forwards the original to OPERS.

1. The Independent Contractor will complete their Social Security Number, First Name, MI, and Last Name.
2. The department will complete:
 - a. Name of public employer – Youngstown State University
 - b. Employer Contact – Ghia Burzynski
 - c. Employer Code – 1639-08
 - d. Employer Contact Phone Number – 330-941-3122
 - e. Services Provided to Public Employer – brief description
 - f. Start Date and End Date of Service
3. Independent Contractor must sign and date form.
4. Any questions concerning this form can be directed to Ghia Burzynski at x3122.

Non-Resident Aliens General Procedures

General Rule – Payments made to a nonresident alien must have 30% income tax withheld from the payment.

Exceptions to 30% Withholding:

Services performed entirely outside of the United States are considered to be foreign source income; therefore no U.S. tax withholding is required.

Contractors who are a resident of a country with which the United States has entered into a tax treaty may be eligible to claim exemption from withholding. Individuals seeking exemption must file Form 8233, Exemption from Withholding on Compensation.

- Form 8233 can be obtained in either the YSU Controller's Office, or the IRS website www.irs.gov. This form should be attached to the requisition in eCUBE.
- Individuals filing form 8233 must have either a valid U.S. Social Security # or Individual Taxpayer Identification Number (ITIN).
- Applications for a Social Security # can be applied for through the Social Security Administration on Form SS-5. If an individual does not qualify for a Social Security #, an ITIN number needs to be applied for on Form W-7, available in the Controller's Office, or on the IRS website, www.irs.gov.
- The application process for a SS# or ITIN can take up to 6 weeks. Payments to individuals seeking exemption from withholding will not be processed until either a SS# or ITIN has been received.
- Payments will be made 10 days from the date the Controller's Office mails Form 8233 to the IRS.

NOTE: The above information is for IRS tax compliance purposes, therefore, it is important that all information be supplied and all forms completed in their entirety, otherwise, payment will be delayed until all information is obtained. More information is available at [IRS Topic 851 – Resident and Non-Resident Aliens](#).