How to Pay Independent Contractors, Employees, and Students

The following general guidance is provided to assist hiring managers and department administrators at Boston College in determining how to appropriately make payments to individuals. Click on the blue links for more information.

**General Guidance for Paying Individuals**

As the payer, the University must make the following determinations to ensure appropriate federal and state tax reporting and withholding requirements are met:

- **Who** we are paying: Independent Contractor, Employee, or Student.
- **The U.S. Residency Status** of the individual being paid.
- **What** we are paying for: Services or non-service type expenses such as awards, prizes, honorariums, travel, and other expenses.
- **Where the services are being provided?** (In the U.S. or a foreign country)

**Paying Independent Contractors for Services**

A determination of the individual’s status as an employee or independent contractor must first be made prior to processing any payments for services to the individual.

1. **Independent Contractor Policy and Questionnaire Form.**
   Prior to hiring an individual as an independent contractor, the new vendor must complete the Independent Contractor Questionnaire as part of the online W9 form.

   - Completed Independent Contractor Questionnaire Form must be submitted to Accounts Payable.
   - Accounts Payable will review the submitted form to make a determination on the classification of an individual as an independent contractor. If Accounts Payable is unable to determine that the individual should be classified as an Independent Contractor the form will be routed to Human Resources for review to determine if the individual will be classified and hired as an employee.
   - If it is determined that the individual will be hired as an Independent Contractor and the total cost is over $5,000, a Professional Services Agreement (PSA) must be completed and submitted to Procurement Services along with a Requisition form.
   - For engagements funded by a Sponsored Program an OSP Service Agreement must be submitted to OSP for approval.
   - Engagements over $5,000 are subject to the University’s Competitive Bid Policy/Sole Source justification process and a Requisition must be created in PeopleSoft Financials.
   - If it is determined that the individual must be hired as an employee, the hiring department will be contacted by Human Resources. Please visit Human Resources'
website for detailed information on the process for hiring employees, including Grad Student hires.

- Budgeted dollars may have to be reallocated if funding is not available in the appropriate budget lines (salary vs. consulting accounts). Please consider your available department funding sources in advance.
- All independent contractor payments made through AP will receive Form 1099 Misc. after the calendar year end.

2. Determining U.S. Residency Status:
   - The University requires that an IRS Form W-9 or IRS Form W8-BEN be provided to Accounts Payable prior to adding the vendor to the PeopleSoft Financials system for payments to any independent contractor providing services.
   - As the payer, Boston College is required by the IRS to obtain the correct taxpayer identification Number (TIN) for purposes of filing any required information returns (e.g. Form 1099). A TIN may be the individual’s Social Security Number (SSN) or an Employer Identification Number (EIN).
   - The Form W-9 will be used to determine the tax status of the individual for 1099 Misc. reporting.
   - The Form W8-BEN will be used to establish a vendor name and address in our payables system. Foreign payments are subject to withholding, unless. Specific IRS tax rules apply to foreign individuals/entities (NRA’s) being paid for services provided within the U.S.
   - Services provided outside of the U.S. (non U.S. Source income) are generally not subject to U.S. taxes.
   - Payments of Honoraria and Speaking Fees are not subject to our Independent contractor determination policy.

**Paying Outsiders (non-employees) for Non-Service Expenses**

Payment to “outside” individual’s for non-service related expenses, such as honorariums, guest speaker fees and travel related expenses for speaking engagements, will be made through Accounts Payable.

- **Form W-9 is required** when making such non-service payments to a U.S. citizen or Resident Alien “vendor” for the first time. A voucher, with appropriate invoices, is required for processing these payments.
- **Form W8-BEN is required** when making such non-service expense payments to NRA’s. A voucher, with appropriate invoices, is required for processing these payments.
**Paying Employees for Services**
(Other than their ongoing salary payments):

- Faculty and Staff payments for “one-time” services will continue to be made through HR/Payroll using the Supplemental Payment Form.

- A **new job class for “Term-Appointed”** employment has been created.
  - These are for appointments that do not fit the criteria for Temp Positions nor Temp Office Pool appointees.
  - This job class will be used for new appointments that have some characteristics of an independent contractor but do not fully meet the IRS’ and State’s guidance criteria for an independent contractor. These will be engagements with unique, non-standard responsibilities in a department/program that are for a short duration of time. The employment period will be for less than 6 months or 1000 hours per assignment. A unique University Position will not be created for each of these engagements. These appointments are not benefits eligible.

- HR will approve these hires.

- The hiring manager will submit a temporary budget transfer for the necessary funding into salary account #54000 line. The Budget Office will then move the 8% to the fringe benefits line from the same funding source.

**Paying Employees for Non-Service Related Items**

- Reimbursement to employees for appropriate business expenses, such as travel expenses, will continue to be made through Accounts Payable using an Expense Report.

**Paying Students for Services**

- The Office of Student Employment will coordinate student hires.

- Undergraduate Students being paid for services will be paid through HR/Payroll.

- Students who have worked previously for the University, or were hired recently, will have been established in our HR/Kronos system. They will then be paid via weekly electronic submission of time into our Kronos system or a Supplemental Payment Form for one-time service payments.

- If a student has not worked previously for the University then that student must first be established in the PeopleSoft/HR system. This requires a student job request to be created for that employment period (summer or academic year) in order for the student hire to be identified and then paid. Detailed information about students working for Boston College can be found under “Information for Employers” on the Student Employment website.

- Graduate students may be hired for hourly jobs as noted above for undergraduate students but may also have monthly paid stipends for services rendered. Please refer to Student Employment Services and the HR Hire process for additional information.

- Non-qualified scholarship payments to students constitute reportable income for the student. Room, Board, travel and equipment that are not required for enrollment are not qualified educational expenses and thus such scholarship amounts used to pay...
these type expenses are taxable income to the recipient. The university is not required
to withhold taxes on the value of any of these types of scholarship payments. It is the
responsibility of the individual student to determine which amounts of scholarship
payments they receive are used for “qualified” scholarship expenses and which
amounts, if any, represent “non-qualified” scholarship amounts that are taxable
income for the student.

**Paying Students for Non-Service Related Items**

- All non-service payments to students, such as awards, prizes, and expense
  reimbursements, are to be processed through Accounts Payable using a voucher or
  expense report created in PeopleSoft Financials.