



Independent Contractor Policy and Process Update

Effective January 1, 2018

Presented by
Office Senior Vice President of Finance and CFO
December 12, 2017

Collaborative Effort

- Accounts Payable
- Contracting and Procurement
- Finance
- General Counsel
- Human Resources
- Payroll
- Various RU Departments

Definitions

- Employee - a worker who is hired through Human Resources or the Office of the Provost, and paid under a W-2. For the purpose of this training, the employee will be referred to as the Service Requestor (SR)
- Independent Contractor - an individual or firm engaged in an established business, trade or profession who provides services to Rowan University and the fees are reported on the IRS Form 1099-MISC.
- Service Provider – An individual interested in performing services for the University

Independent Contractor Classification

- What is the classification process?
- To whom does it apply?
- Why is it important?
- Guidelines for determining Independent Contractor (IC) status
- What do I do when I engage an outside Service Provider (SP)?
- Special situations



Purpose of Classification Process

To determine if a SP is:

- An employee subject to tax withholdings (receives [IRS Form W2](#)); or
- An IC responsible for paying their own taxes (receives [IRS Form 1099-MISC](#))

Applies to Outside SPs and Consultants

- Corporations – considered ICs
- Partnerships – considered ICs
- Limited Liability Companies – requires careful evaluation
- Individuals – requires careful evaluation

Why the Determination Process is Important

- To comply with federal and state guidelines for consistent and fair classification of workers.
- To avoid taxes, penalties, and interest assessed for noncompliance.



General Guidelines

- The more control the University has over a SP, the more likely it is that the SP will be an employee rather than an IC.
- Factors for determining IC status fall into three categories.



General guidelines, continued...

- **Behavioral control** relates to whether the University has a right to direct and control how the services will be performed. In general, anyone who performs services for the University is an employee if the University has the right to control what will be done and how it will done.



General guidelines, continued...

- **Financial control** looks at whether a service provider has the ability to affect financial decisions connected with services performed such as realizing a profit or loss and assuming the cost of unreimbursed expenses.
- **Relationship between the parties** looks at how the relationship is perceived including whether there is a written contract or if benefits are provided.



Significant Policy Change

- Through December 31, 2017:
Service Requestor (SR) or hiring department determines status
- Beginning January 1, 2018:
Human Resources determines status and informs SR of decision.



Steps to Hiring

1. A SR decides to engage an individual to perform a service.

For example:

- Piano tuner
- Guest lecturer
- Clinical psychologist for Student Health

Steps to Hiring, continued...

2. The SR sends the individual the *Certification for Determination of Independent Contractor Status (Certification)* to complete.

Steps to Hiring, continued...

3. Once the SR receives the Certification, (s)he will sign the Certification in Section 4 to verify that the information is accurate and complete.
4. The SR will email the document to Human Resources at: independentcontractor@rowan.edu



Steps to Hiring, continued...

5. Human Resources will review the documentation and determine the status of the SP as either employee or IC.
6. Human Resources will inform the SR if the SP meets the criteria to be an employee or an IC.



Steps to Hiring, continued...

7. If determined an employee, SR will require SP to complete and return:
 - [IRS Form W4](#)
 - [Direct Deposit Form](#)
 - [IRS Form I9](#)
 - Copy of one's social security card

8. In order for the SP to be paid, SR will also submit a completed [Special Assignment Contract](#).



Steps to Hiring, continued...

9. If determined an IC, the SR will:

- Obtain a valid vendor ID number
- If no vendor ID exists, require SP to complete and/or obtain
 - [New Jersey Business Registration Certificate \(BRC\)](#)
 - [IRS Form W-9](#) or [IRS Form W-8](#).
 - Send documents to vendors@rowan.edu for creation of ID
- Create a requisition in Banner
- Require SP to complete [Independent Contractor Service Agreement](#)
- Complete a [Contract Approval Cover Sheet](#)
- Submit agreement and cover sheet to contracts@rowan.edu

Steps to Hiring, continued...

10. All ICs are responsible to forward original invoices to invoices@rowan.edu with a copy to SR.
11. If an IC is not able to provide an invoice, (s)/he is responsible to complete and certify the [Independent Contractor Request for Payment Form](#).



Special Situations

The University will consider:

- Current employees who are engaged for work outside their normal duties to be employees;
- Students (most often) as employees; and
- Standardized patients as ICs

Examples to Classify

- Piano tuner
- Guest lecturer
- Clinical psychologist for Student Health

Please, Please, Please . . .

- Review policy and forms on the website (subject to change up to January 1st)
- Do not use old forms; only forms on the website as of January 1st will be accepted
- Email independentcontractor@rowan.edu with questions

Resources to Consult

Website:

https://sites.rowan.edu/hr/independent_contractor/index.html

E-mail:

independentcontractor@rowan.edu

Questions and Answers

