Payments for Professional Services

Responsible Officer: Vice President for Business Affairs & Controller
Sponsoring Department: Payroll Services
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Errors or changes to: aim@uta.edu

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PROCEDURE OBJECTIVE

This procedure provides guidelines for payment of temporary services rendered to the University by an individual. This procedure includes information on Internal Revenue Service classification guidelines, types of classifications and definitions, procedures for payments and approvals of payments. Also, this procedure includes information regarding travel reimbursements for non-employees.

SCOPE

This procedure applies to all UT Arlington employees and individuals who provide services on a temporary basis to the University.

RESPONSIBILITIES
UT Arlington and University Departments

- Ensure that all payments for services are handled in a manner that is consistent with IRS guidelines.
- Follow procedures for payments.
- Ensure all forms are properly approved prior to payment of services.

PROCEDURES

Section I. General Policy

The University, in the course of normal business, will contract professional services on a temporary basis from individuals. These individuals fulfill a variety of services outside the normal scope of University personnel.

A. Approval of payment is obtained by completing an Authorization for Professional Services (Form 1-8A).

B. The APS form is not to be used for:

1. Vendors who are not individuals, such as companies or corporations. See Reimbursements and Payments Other Than for Travel and Purchase Orders (Procedure 4-26) for purchasing guidelines of services other than those provided by individuals.

2. Salary supplements. These payments must be processed through UT Share.

3. Part-time employees providing services that are the same or similar to their regular duties. These payments should be compensated by increasing the employee’s assigned time.

4. An individual who maintains a continuing relationship with the University rather than sporadic or occasional duties. These payments should be assigned as temporary service through UT Share.

C. Professional services to be performed by a nonresident alien will be in accordance with Internal Revenue Services (IRS) and the U.S. Citizenship and Immigration Service (USCIS) rules and regulations. See Payments to Nonresident Alien Independent Contractors, Guest Speakers and Performers (Procedure 1-23) or email prf@uta.edu.

Section II. Internal Revenue Service Classification Guidelines

It is critical that payment for all such services be handled in a manner that is consistent with IRS guidelines. The IRS requires that all individuals providing services to others must be classified as either an independent contractor or an employee.
A. The University must be concerned with making the proper worker classification of individuals engaged to perform services. If the institution improperly classifies an individual as an independent contractor, rather than an employee for tax purposes, the institution will be responsible for the applicable employer and employee portions of employment taxes, as well as penalties and interest on these payments. Unfortunately, this classification is not easy and the distinction is not always clear.

B. The IRS classifies workers as independent contractors or employees according to the "common law" standard.

1. The common law standard holds that if a payor controls and directs, or has the right to tell a worker how, when, and where to work, then the worker is an "employee."

2. A worker free from such direction and control can be classified as an "independent contractor."

3. If the payor merely reserves the right to control the worker, but doesn't actually exercise control, the worker can still be classified by the IRS as an employee.

C. The University has attempted to make the evaluation and classification easier for departments by creating the "Employee/Independent Contractor Classification Checklist" which is Page 2 of the Authorization for Professional Services form. Complete the Employee/Independent Contractor Classification Checklist to determine the proper classification for the person who is to perform the desired services prior to completing the APS form.

Section III. Types of Classifications and Definitions

An individual is paid either as an independent contractor or as an employee. Authorization for procurement of services is obtained via Authorization for Professional Services (Form 1-8A).

A. Independent Contractor Classification (must have a completed checklist attached to APS form)

1. Consulting Services - Use of the term "consultant" is restricted to only those situations meeting the State of Texas strict definition of the term:

   "A study conducted for a state agency/institution or advice provided to a state agency/institution under contract that does not involve the traditional relationship of employer and employee."

   All proposals and contracts for consulting services shall be processed through the Director for Procurement Services.

2. Professional Services - Professional services are performed by an individual with whom the University does not have an employer/employee relationship as determined by the Employee/Independent Contractor Classification Checklist, Page 2 of the APS form, and the individual does not meet the definition of "consultant" as stated above.
B. Employees

1. **Exempt Employee** "Lump Sum Payments" are made for work which is performed in addition to the normal duties of the UT Arlington employee with a full-time assignment.

2. **Non-exempt Employee** To qualify as a "Lump Sum Payment" for services performed in addition to the normal duties for which an overtime rate is not required:
   - The duties to be performed must be in a completely different capacity from the employee's appointed duties,
   - the duties must be sporadic or occasional, and
   - the employee's decision to work in a different capacity must be made freely and without coercion, implicit or explicit, by the employer. If the above requirements are not met, the additional hours worked in excess of 40 hours within one work week will be considered overtime and paid as the overtime rate based on the employee's regular appointment. A timecard must be completed and attached to the APS to substantiate the overtime hours worked.

Section IV. Procedures for Payments

The procedures and paperwork necessary to pay an individual providing service to the University depend exclusively on the classification of the individual as either an employee or an independent contractor.

The Grant or Contract Certification section of the APS form must be completed and signed by the principal investigator on all APS forms for expenditures from federal grant or contract funds and approved by the Office of Grants and Contract Services.

A. Payments to Independent Contractors (Professional Services)

**Forms Required:** APS Form 1-8A or 1-8B (Less than $600), Employee/Independent Contractor Classification Checklist and Payee Information Form

1. Complete **Authorization for Professional Services** (Form 1-8A) or **Authorization for Professional Services (Less than $600)** (Form 1-8B) with Employee/Independent Contractor Classification Checklist and route for approval. Form 1-8B is used for a one-time payment under $600 in a calendar year to an individual for independent contractor services that do not require special approvals.

2. The individual must complete a **Payee Information Form** (Form 1-9). A copy of a Social Security card, Individual Tax Identification Number or a copy of a government issued photo ID is required and must be submitted with the PIF to Payroll Services. If nonresident alien status is indicated on the PIF, See **Payments to Nonresident Alien Independent Contractors, Guest Speakers and**
Performers (Procedure 1-23). A copy of the I-94 card or passport entry stamp must also be attached to the PIF. If an honoraria payment, a Statement for Foreign National Honoraria Recipients (Form 1-8C) must be signed and attached to PIF.

3. After the services have been performed, the independent contractor signs and dates at the bottom of the approved APS form under TO BE COMPLETED BY PROVIDER. The signature must be dated on or after the date of services were actually performed. No payment can be made before the ending service date. The Authorized Cost Center Signer approves the APS form under APPROVALS section.

4. If multiple payments are to be made to an independent contractor, the original APS form may be copied for the subsequent payments with the following stipulations.

   a. On the original form, put the total amount to be paid under proposed payment and the total number of payments to be made. On each subsequent payment, put the number of payment being made after the total number of payments. (i.e. 10/2 or 10/3)

   b. TO BE COMPLETED BY PROVIDER: The Provider of Service must complete and sign the section for each payment. This must be an original signature with the period of service dates and payment amount for each payment.

   c. APPROVALS: The Signature for Authorization of Payment field must be an original signature for each payment authorizing the amount to be paid on each payment.

   d. Except for the signatures listed in b) and c), all other signatures may be a copy of the original form with original signatures.

Payroll Services will not accept APS forms that are signed for future service dates. Payments cannot be processed until services have been rendered. Pre-dated signed forms are not valid and will be returned to the department.

5. Checks will be mailed to the independent contractors by U.S. mail or you may attach a completed direct deposit form with attached voided check for U.S. bank accounts only.

B. Lump Sum Payments to Current Employees

Forms Required: APS Form 1-8A Only

1. Complete the Authorization for Professional Services (Form 1-8A) and route for approval.

2. In addition to normal approvals, the APS for employees must be approved by the chair/director of the department in which the employee is appointed. Lump sum payments from grants or contracts are permissible only in rare instances. (i.e. Only when the service performed is across departmental lines or involves a
separate or remote operation and the work is in addition to the employee's regular departmental workload.) Such arrangements must be specifically approved in writing in the grant document or in writing by the sponsoring agency. The APS form must be submitted to the Office of Grant and Contract Services for review and approval by the Vice President for Research.

3. Once the services have been performed, the employee must sign the APS form. The chair/director must sign the APS form under APPROVALS section.

4. Payments are made on the employee's regular pay cycle if received by payroll cut-off deadlines. See Payroll Processing Dates.

Section V. General Provisions for Approval

All forms must be approved prior to payment of services. This is extremely important to ensure that the individual is properly classified as an employee or independent contractor and the appropriate paperwork is completed. Original signatures are required. Copies of signatures cannot be accepted except as outlined under multiple payment procedures in Section 4.

A. The following University administrators must approve the APS forms:

1. If payment is to a current UT Arlington employee, the employee's supervisor, chair or director must review and approve the "UTA Employee" section of the APS form.

2. If funds from a grant will be used for payment, the Principal Investigator and the Office of Grant and Contract Services must review and approve the "Grant Certification" section of the APS form.

3. All APS forms must be reviewed and approved by the designated Budget Authority of the department soliciting the service (Department Chair, Dean, or Director).

4. APS forms 1-8A must be reviewed and approved by the appropriate Vice President or Provost whether the individual is classified as an employee or an independent contractor.

5. APS forms 1-8A must have approval signature for President.

6. APS forms 1-8B (Less than $600) need only the approval signature of the Authorized Cost Center Signer.

7. All APS forms for "consultants" must be approved by the President and UT System.

8. All APS forms and checklists must be reviewed and approved by Payroll Services for IRS tax compliance prior to payment.
Section VI. Non-Employee Travel Reimbursement

Non-employee travel requests should be processed according to Travel for Persons Other Than Faculty and Staff Does Not Apply to State Accounts (Procedure 2-87).

If travel is to be reimbursed and original receipts will not be presented, include the estimated travel expense in the Proposed Payment field on the APS form and check the appropriate section pertaining to Non-Employee Travel.

A. Reimbursement will be included with the payment for services and will be paid through Payroll Services.

B. The amount reimbursed, including the expenses for travel, will be reported as compensation to the IRS and is subject to taxation at the applicable rate.

FORMS AND TOOLS/ONLINE PROCESSES

- Authorization for Professional Services (Form 1-8A)
- Authorization for Professional Services (Less than $600) (Form 1-8B)
- Statement for Foreign National Honoraria Recipients (Form 1-8C)
- Payee Information Form (Form 1-9)
- Payroll Processing Dates

DEFINITIONS

Nonresident Alien: A person who is not a U.S citizen or a lawful U.S. permanent resident.

RATIONALE

The University, in the course of normal business, will contract professional services on a temporary basis from individuals. These individuals fulfill a variety of services outside the normal scope of University personnel. It is mandatory that payment for all such services be in compliance with IRS regulations which require these provider of services be classified as either an independent contractor or an employee.

For travel reimbursements of non-employees, rules and policies governing the approval and billing of travel for persons other than faculty and staff come from a variety of sources including the State of Texas Travel Regulations Act (Chapter 660 of the Texas Government Code) and the Board of Regents' Rules and Regulations.

RELATED STATUTES, POLICIES, REQUIREMENTS OR STANDARDS
## UT System Administration Policies & Standards

<table>
<thead>
<tr>
<th>Other Policies and Standards</th>
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<tbody>
<tr>
<td>Payments to Nonresident Alien Independent Contractors, Guest Speakers and Performers (Procedure 1-23)</td>
</tr>
<tr>
<td>Payments to Nonresident Alien Employees (Procedure 1-21)</td>
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<tr>
<td>Reimbursements and Payments Other Than for Travel and Purchase Orders (Procedure 4-26)</td>
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<tr>
<td>Departmental Payroll Vouchers (Procedure 1-12)</td>
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<tr>
<td>Travel for Persons Other Than Faculty and Staff Does Not Apply to State Accounts (Procedure 2-87)</td>
</tr>
<tr>
<td>Texas Travel Regulations Act Chapter 660 of Texas Government Code</td>
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## APPENDICES

N/A

## CONTACTS

If you have any questions about Procedure 1-19, Payments for Professional Services, contact the following departments:

<table>
<thead>
<tr>
<th>Subject</th>
<th>Office Name</th>
<th>Telephone Number</th>
<th>Email/URL</th>
</tr>
</thead>
<tbody>
<tr>
<td>All topics in Procedure</td>
<td>Payroll Services</td>
<td>(817) 272-5426</td>
<td><a href="mailto:payroll@uta.edu">payroll@uta.edu</a> <a href="http://www.uta.edu/business-affairs/payroll">http://www.uta.edu/business-affairs/payroll</a></td>
</tr>
<tr>
<td>Website access</td>
<td>Administrative Information Management</td>
<td>(817) 272-0222</td>
<td><a href="mailto:aim@uta.edu">aim@uta.edu</a> <a href="http://www.uta.edu/aim">http://www.uta.edu/aim</a></td>
</tr>
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## WEBSITE ADDRESS FOR THIS PROCEDURE

http://www.uta.edu/policy/procedure/1-19