

## Paying Individuals to Perform a Service

According to the IRS, individuals who receive compensation of any kind (**including honorariums**) are classified as either employees or independent contractors and must be taxed appropriately. Therefore, CMU **must** determine **before any work is performed** if the individual is an employee or an independent contractor.

### Who is an Employee?

1. All individuals who perform services for compensation are presumed to be employees, unless they meet the criteria of an independent contractor (IC) discussed below. Departments who wish to hire an employee **must** submit the on-line transaction form (<https://ssl.cmich.edu/eeactions/>) **prior** to any work being performed.
2. Anyone teaching either credit or non-credit courses offered by the University will be classified as an employee and should be hired as temporary faculty.
3. Anyone currently enrolled as a CMU student and who performs services for compensation should be hired as a student employee.
4. Anyone who is currently a CMU employee and who performs services for compensation outside her/his regular assignment must continue to be classified as an employee, not as an independent contractor, and will be paid supplemental assignment pay. Please note: Departments who wish to compensate current hourly staff for additional work outside her/his primary job must contact Human Resources (#3753) prior to the supplemental assignment. All other supplemental payments for faculty and staff can be processed using the form located at <https://ssl.cmich.edu/eeactions/>

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### Who is an Independent Contractor (IC)?

The term independent contractor encompasses individuals, partnerships and incorporated or unincorporated companies. In order to be classified as an independent contractor, several criteria established by the IRS **must** be met. As the name implies, there must be a contract in existence between CMU and the independent contractor describing the terms and conditions of the relationship.

Examples of individuals who might meet the criteria for IC status are:

1. Guest performers or artists who otherwise are not affiliated with the University.
2. Guest speakers or lecturers brought to the University for a very short duration because of their expertise.
3. Individuals providing professional services who routinely hold themselves out to the public as providing such services for a fee. Examples include accountants, attorneys, and medical providers.

Only approved independent contractors can be paid directly on an invoice voucher through Payable Accounting.

Is the Independent Contractor a U.S. Citizen or a Non-U.S. Citizen?

1. Non-U.S. Citizens must get **PRIOR** approval from Human Resources **BEFORE** the contract is signed to verify the individual can legally perform the services and be compensated.
2. Only certain visa statuses (for Non-U.S. Citizens) allow individuals to legally work in the U.S. for compensation, including honorariums.
3. U.S. Citizens or Companies must complete a W-9 tax form. That form should be submitted along with the payment request to Payable Accounting.

The independent contractor questionnaire must be completed and submitted to Human Resources/Employment Services prior to utilizing the services of an IC (see the Independent Contractor Policy for additional information <http://www.cmich.edu/gencounsel/manual/p04012.pdf>). Once approval is given, the department must complete a contract with the individual. Keep in mind that any Non-U.S. citizen or Non-U.S. company **MUST** receive **PRIOR** approval from Human Resources before the contract is signed by both parties.

IC questionnaires, prewritten contracts and W-9 tax forms can be downloaded at [www.purchasing.cmich.edu](http://www.purchasing.cmich.edu)

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