



Independent Contractor Policy & Procedure Training

HUMAN RESOURCES, FINANCE, & PAYROLL



Agenda

- Why does it matter?
- Policy summary
- Procedures summary
- IC questionnaire summary
- FAQs & Common Pitfalls
- Q&A



Why Does It Matter?

Oversight by regulatory agencies:

- U. S. Department of Labor (DOL)
- Internal Revenue Service (IRS)
- National Labor Relations Board
- OSHA
- State unemployment and workers' compensation agencies
- State and local tax agencies

An employer that mis-classifies an employee as an independent contractor with no valid basis for doing so may be found liable for:

- employment taxes, including amounts that would have been withheld in federal and state income taxes if the person were properly classified as an employee;
- back wages and penalties for violations of minimum wage, overtime and FLSA reporting requirements;
- violations of the Employment Retirement Income Security Act for failure to provide retirement and health benefits; and
- workers' compensation benefits for misclassified injured workers.



Policy Summary

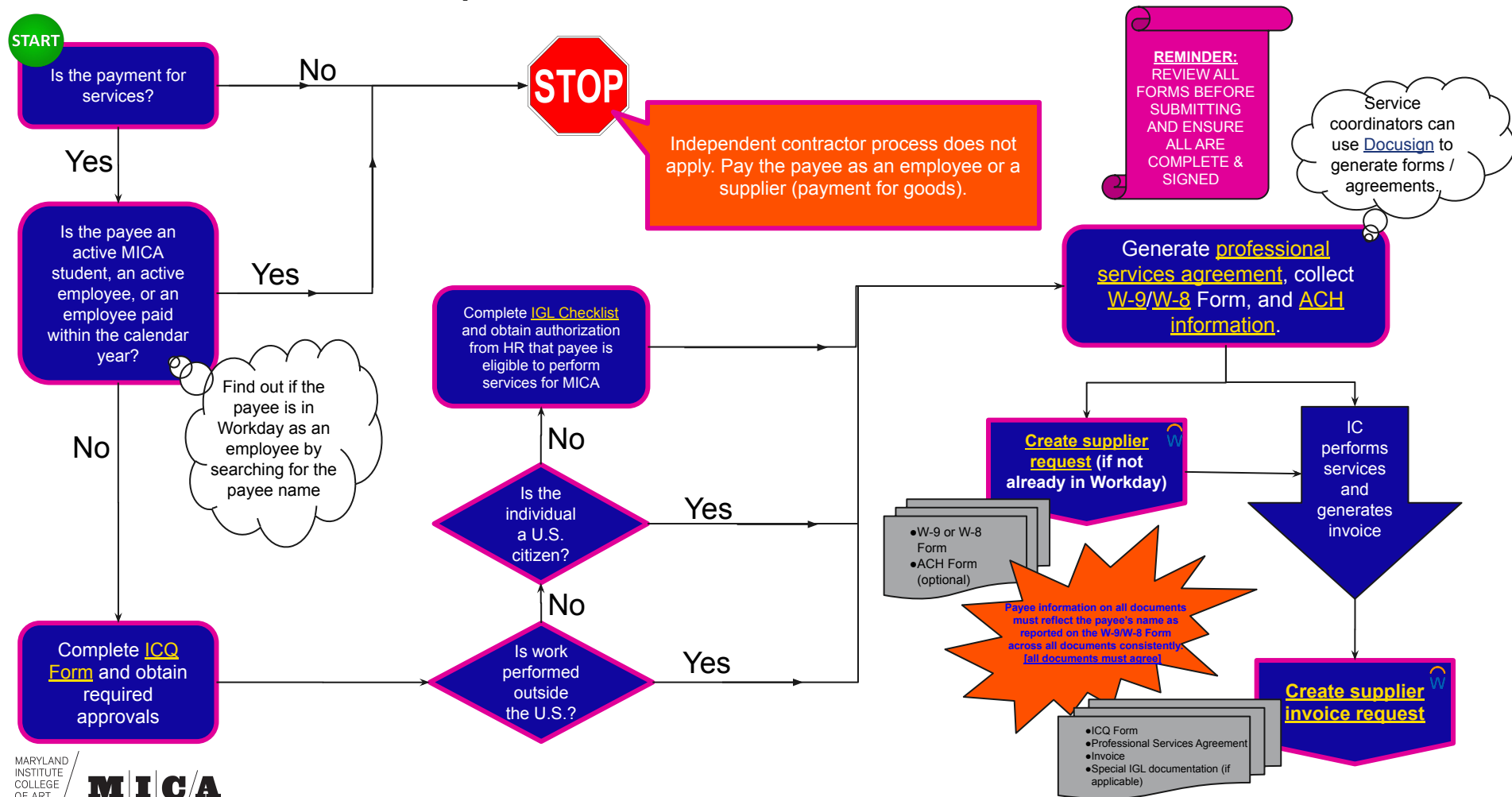
- Outlines MICA's policy on Independent Contractors
- Applies to: single-employee companies which may be a sole proprietor, unincorporated, incorporated, or a limited liability company (LLC), and individuals providing services to MICA; excludes MICA students, current MICA employees and former employees paid within the same calendar year.
- Employee vs. Independent Contractor Test
- Exceptions to going through the EE vs. IC Test



Procedures Summary

- Step by Step instructions on how to hire an independent contractor
 - Step 1: Department Completes the Independent Contractor Questionnaire [Form](#)
 - Step 2: Human Resources Reviews the Independent Contractor Questionnaire (if required)
 - Step 3: Human Resources Reviews Documentation for International Guest Lecturer (IGL)
 - Step 4: Department Completes and Signs Contract
 - Step 5: Request the IC to be added to Workday as a Supplier using a the Supplier Request task
 - Step 6: Submit Documentation for Approval & Payment using the Supplier Invoice Request task
 - The Workday workflow will route the request through the remainder of the approval process (department and finance review / approval)

Independent Contractor (IC) Process Overview



DOCUMENTATION



IC Questionnaire Summary

Preparer must complete the form each time paying an independent contractor. A separate ICQ should be completed for each contract.

Choose one option:

1. One-time, short-term engagement must meet all of the following criteria
2. Guest Speaker or Guest Lecturer
3. The worker does not qualify for an exemption based on the questions above, complete the IC questionnaire

FORM MUST BE SIGNED & DATED BY DEPARTMENT

and

IF 3 OPTION IS CHOSEN, SIGNED BY HUMAN RESOURCES





DOCUMENTS FOR SUPPLIER REQUEST

- [IRS FORM W-9](#)
- [IRS FORM W-8](#)
- [ACH INFORMATION FORM \(optional\)](#)





DOCUMENTS FOR PAYMENT (SUPPLIER INVOICE REQUEST)

- A completed [ICQ Form](#), if an exemption is not identified, the ICQ must be signed by HR approving the classification of the individual as an IC
- A completed and signed contract (i.e. the [Professional Services Agreement](#)); and
- An invoice (generated by the IC)
- Special Instructions for International Independent Contractors performing services within the U.S.
 - Add an additional line with spend category 1042-S Fed Withholding
 - Calculate withholdings as 30% of the payment amount and enter as a negative amount.
 - Attach all completed and signed documents above in step 3. See documentation requirements [here](#)
 - Attach the approval email received from HR in step 3.





What do you need to know when hiring ICs?

You are responsible for ensuring that the policy and procedures have been followed.

You are responsible for beginning the process as soon as you are aware of hiring an individual, recommended at least 6 weeks prior to services being performed.

You are responsible for ensuring that all documentation is included. Failure to include the appropriate documentation will delay payment and result in unhappy ICs.



FAQs and Common Pitfalls

- Documentation submitted is not complete
 - missing signatures or dates on one or more forms
 - forms are missing
 - amounts requested for payment do not agree to the PSA or invoice
- All active MICA students must be hired as employees and paid through payroll
- Current and former MICA employees paid within the same calendar year must be paid as an employee through payroll
- Payee on various forms does not match -- use the same name on all forms
- Address information does not agree. Contractor should place remit-to address on invoice.
- You must complete an ICQ form for each contract agreement with an IC.

Q&A