



POLICY FOR PAYMENTS TO INDIVIDUALS

Approved By: Mary L. Sidney <i>Mary L. Sidney</i>	Distribution: All Account Holders; Deans; Chairs; Principal Investigators; Project and Central Administration Staff.
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This policy sets forth SJSU Foundation guidelines for payments to any individual, including employees, non-employees, students, faculty, staff, and Independent Contractors. Types of payments include employee wages, awards, expense reimbursements, stipends, fellowships, honoraria, moving expenses, as well as invoice payments for independent contractors. This policy also defines categories of payees, types of payments, documentation required, forms to be used, and the routing and approval process.

Outline

- I. General Policy and Definitions
- II. Forms
- III. Process

I. GENERAL POLICY AND DEFINITIONS

A. Categories of Payees

For purposes of this policy, there are two categories of payees, employees and non-employees. The type of check (payroll versus non-payroll), taxability, tax reporting and other legal or institutional requirements are based on these two categories of payees which are defined as follows:

1. **Employee** — Any individual currently employed by the SJSU Foundation who receives compensation of any kind from the SJSU Foundation.
2. **Non-Employee** — Non-employees include individuals employed by organizations outside the Foundation. This includes SJSU faculty & staff who are not compensated through Foundation funds (i.e., overload or additional employment), and self-employed individuals or Independent Contractors.



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3. Special Considerations

- a. **Qualified SJSU student:** Note that either category of payee can include a Qualified SJSU Student defined as an individual currently enrolled at SJSU in pursuit of a degree who meets minimum enrollment requirements. SJSU undergrad students must provide proof of enrollment for 6 units minimum. SJSU graduate students must provide proof of enrollment for 4 units minimum. Proof of enrollment can be provided by submitting any of the following to Human Resources: a) class schedule (website printout), b) letter from SJSU Enrollment Services, or c) a letter from SJSU Financial Aid.
- b. **Non-Resident Aliens:** To legally work in the United States, individuals must be US citizens, or have a government-issued work visa. Non-resident aliens are defined as individuals who have not been granted lawful permanent residence and therefore require a government-issued visa to work in the US. For additional information and assistance, contact Human Resources at extension 4-1411.

B. Types of Payments to Employees

(Note: All employees will receive a W-2 after the end of the calendar year.)

1. **Payments for Service/Wages:** Any payment for services is wages and the recipient is by definition an employee of the Foundation. Payments for service or wages include payments for work performed including but not limited to, research, administration, grading papers, tutoring, lecturing, evaluating, or teaching class.
2. **Payments for Employee Recognition, Honoraria, and Awards:** These payments are non-negotiated, non-service payments made to recognize outstanding accomplishments or special activities that are not a part of an employee's job. These payments also include awards given as a "thank you" gesture of goodwill and appreciation or where the primary intent is to confer distinction upon or express esteem for the recipient. All recognition, honoraria or award payments given to Foundation employees must be processed through payroll and taxed appropriately, subject to a W2.
3. **Employee Expense Payments:** These include non-service/non-wage payments (reimbursements) made to an employee for job-related expenses such as work supplies or travel costs. (See reimbursement policy within the



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Project Administration Guide on www.sjsufoundation.org). Note that employee expense payments are not included as wages on a W2.

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- 4. Employee Educational Stipend Payments:** These are non-service payments made for individual education-related expenses such as tuition, fees, books, supplies, equipment, room, board, travel, attending class, lab, or workshop, or for moving expenses. As a Foundation employee, educational stipend payments are treated as "supplemental wages," processed through payroll, fringe benefit rate applies, and the "supplemental wages" are reportable on a W2. Notes: 1) Once an individual is paid as an employee any time during the year, any additional payments for services will be treated as wages for the duration of that calendar year; and 2) Educational stipend payments to an employee who is also a Qualified SJSU Student (see Section I.A above) is taxable as ordinary wages and reportable as supplemental wages on a W2 at year end. Students should consult their tax accountant for details.

C. Payments to Non-Employees

(Note: Generally, regardless of types of payments received, non-employee cumulative payments of at least \$600 in a calendar year will be reported on a 1099 to the IRS.)



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1. Payments to Independent Contractors

Independent Contractors (ICs) are independent professionals who provide an expertise or service, set their own hours, provide their own equipment, have other clients and bill the Foundation for their services. An IC Determination form must be completed by the Principal Investigator (PI) or Project Director to assist the Foundation Human Resources Department in determining eligibility of an individual to provide services as an IC as defined by the IRS. The PI or authorized account signer must complete an IC Determination Form (www.sjsufoundation.org) for each proposed IC. If a proposed Independent Contractor is also a current employee of the SJSU Foundation, they must be paid as an employee, whether or not they meet the IRS definition of Independent Contractor. Independent Contractors must obtain IC Agreement approval from Foundation Human Resources *prior to* the engagement of service. Please allow ten working days for processing. IC invoices must be billed to the SJSU Foundation, submitted by the IC to the PI/Project Director who completes a requisition form, and then forwarded to the Foundation for payment.

2. Payments to Other Non-Employees

The following lists other types of payments that may be made to non-employees:

- a. **Fellowships:** These include payments for Participant Support, to faculty, scientists, or other professionals (non-students) to *benefit the individual* and aid in their pursuit of study or research. Recipient may receive a 1099 at calendar year-end.
- b. **Non-Employee Educational Stipends:** These include non-service payments, including Participant Support payments, for education-related expenses such as tuition, fees, books, supplies, equipment, room, board, travel, attending class, lab, or workshop, or for moving expenses. Terms must be outlined in an Award Letter and may not require payment for services as a condition. Educational stipend payments to non-employee Qualified SJSU Students (see Section I.A above) are reportable to the IRS on form 1099.

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- c. **Scholarship Payments:** This includes non-service payments, such as Participant Support payments, made to a Qualified SJSU Student for the benefit of the individual to aid in their educational pursuits. While these payments are reportable to SJSU Financial Aid, they are not generally reportable to the IRS. If payment includes room, board or travel; payment is also reportable to the IRS.
- d. **Payments for Honoraria, Recognition or Awards:** These payments are non-negotiated awards given as a "thank you" gesture of goodwill and appreciation, or where the primary intent is to confer distinction upon, or express esteem for the recipient. Honoraria, recognition or other award payments are not based on an agreed amount (negotiated) between the individual and the Foundation. For example, an honorarium is often given to a guest lecturer in appreciation for giving a talk or lecture, but not as payment for the time. All payments in this category are reportable to the IRS on form 1099.
- e. **Non-Employee Expense Payments:** These include payments made to non-employees for project expenses (reimbursements) such as supplies or travel costs. This excludes payments for such expenses to ICs, which are included in contract and invoices.

D. Payments for Moving Expenses

Occasionally moving expenses are provided for University as well as Foundation employees. The IRS classifies moving expenses as "qualified" or "non-qualified," each with specific reporting requirements. Regardless of the IRS classification, under no circumstances will the Foundation pay for moving expenses of any CSU employee. Such expenses must be processed through the Human Resources Service Group of SJSU or relevant CSU campus.

- 1. **Qualified Moving Expenses** include any reasonable costs associated with moving household goods and personal effects; any costs traveling for employees and family from old residence to new residence, EXCEPT for meals. These expenses must meet the "time & distance" requirements set forth by IRS to be considered "qualified."



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- a. Time: The expenses must be incurred within one year of an employee beginning work at a new location, and the newly relocated worker must be employed full time at the new location for a minimum of 39 weeks.
 - b. Distance: The commuting distance must increase by 50 miles between former home and new work location, if previously unemployed, it must be 50 miles or more from the old residence.
 - c. Payment: Payments are made through Payroll and coded as such. It must be reported on Box 13 of W-2 form with a code "P" as non-taxable fringe benefit, under section 132 of IRS code.
2. **Non-Qualified Moving Expenses** include pre-move house hunting travel; real estate costs of buying/selling house; meals consumed while traveling to move or while residing in temporary living quarters; temporary living quarters expenses. These expenses are paid through Payroll and are treated as ordinary income, and per IRS, are subject to all applicable taxes, including Federal and FICA taxes. Payments are reported as ordinary income on the employee's W-2 form, box 1, 3, and 5.



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II. FORMS

1. Additional Employment Request: This form is used to request authorization to receive additional compensation to perform a job assignment beyond an employee's existing job scope within the same or a different Foundation project.
2. Appointment Form (Academic and Non-Academic) – Used for all employee personnel actions, such as hires, salary actions, change in status, terminations, one-time payments for honoraria or awards, moving expenses, etc.
3. Educational Stipend Award Letter – Written to recipient to offer the educational payment or award to individuals. The letter outlines the conditions, such as qualifications and taxability. Recipient signs in acknowledgement of the conditions. (Sample letters for service and non-service educational stipends awards are available at www.sjsufoundation.org).
4. Independent Contractor (IC) Agreement – Used to request engagement of services of an independent contractor working on any project or Foundation activity. It outlines the terms of the agreement and is used to verify contractor status and eligibility.
5. IC Determination Form - Used to determine "independent" consulting status of an individual. The IC Determination Form must accompany every proposed IC Agreement
6. I-9 – The INS form, required by all employees to be completed within 3 days of employment. This form determines eligibility to work within the United States.
7. Requisition Form – The primary document used to request payment to non-employees, vendors, and for employee job-related expenses.
8. Timesheet – A record of an employee's time worked for a specific pay period. Timesheets must be processed in accordance with the Foundation payroll schedule (semi- monthly). Note: Foundation central administration staff who are also exempt use an absence report.
9. Travel Authorization and Reimbursement Form – Used to request authorization, advance payment, and reimbursement for authorized travel expenses.
10. W-2 – The annually generated IRS form, for employees who have reportable and taxable income (federal and state).
11. W-4 – The IRS form on which an employee designates their withholding allowances for payroll purposes
12. 1099 - The annually generated IRS form, for non-employee individuals who have reportable income of at least \$600 in a calendar year.



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III. PROCESS

- A. Departmental Responsibility
- B. Process for Payments to Employees
- C. Process for Payments to Non-employees

A. Departmental Responsibility

1. **Analysts within Office of Sponsored Program (OSP) and Endowment Program (EEP):** Analysts receive requests for payments to individuals and review for approved budget and funding availability, allowability, other contract terms or conditions, and appropriate signatures.
2. **Payroll Department:** The Payroll Department processes any payment to an employee, for services or non-services. (The only exception is payment that is reimbursement for work-related expenses such as supplies or travel; these reimbursements are paid using a requisition and are processed through Accounts Payable.) Any associated fringe benefit costs will apply based upon the employee's status as non-benefited or benefited. Forms used include: Additional Employment Form, Appointment Form, Timesheet, I9, W2 and W4.
3. **Accounts Payable (A/P) Department:** A/P processes payments for Independent Contractors (ICs), employee expense payments, and non-employee payments. Forms used include: Independent Contractor Agreement, Requisition, Travel Authorization and Reimbursement Form, and 1099. In general, once paychecks or other payment checks are ready, they are either mailed or they are held for pick-up based on documented instructions.

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B. Process for Payments to Employees

1. Process for Payments to Employees for Services

An appointment form must be submitted and approved by the Foundation Human Resources Department *prior* to the commencement of any work. Once work is performed, a timesheet signed by the employee and their supervisor must be submitted to Foundation payroll in accordance with the published Foundation payroll schedule (see website <http://www.sjsufoundation.org/sjsuf-employees-resources/payroll.htm>).

Timesheets MUST be submitted on the day following the end of the pay period for which work was performed; under no circumstances should timesheets be accumulated over time

2. Process for Payments to Employees for Non-services

a. Process for Employee Recognition/Awards, Employee Educational Stipend Payments, and Moving Expenses

To make a payment to an employee for a recognition/award, educational stipend, or moving expense, a principal investigator or authorized supervisor must submit to Foundation Human Resources a signed Appointment Form and supporting documentation (or in the case of group educational stipend requests, a signed requisition form with the employee's name, stipend amount, social security number, and home address) indicating a one-time payment request. Requests for employee educational stipends must also include a copy of the Educational Stipend Award Letter. Checks will be paid through the Payroll Department and added to wages reported on the W2.



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b. Process for Employee Job-Related Expense Reimbursements

i. Job-Related Travel Reimbursements

Employees should complete and sign a Travel Authorization/ Reimbursement Form, attach supporting documentation, provide original receipts, and obtain appropriate supervisor/account authorized signer approval. In the case where the employee is a Principal Investigator (PI), the Travel Authorization/ Reimbursement Form must be signed by a person who would be considered to hold a supervisory relationship, such as department chair or college dean. (This is commonly referred to as a "one-up" signature, and is applicable to any kind of reimbursement made directly to a PI.) The signed Authorization/ Reimbursement Form should then be submitted to the appropriate Foundation Account Analyst for review/approval. The Account Analyst will forward to Accounts Payable for payment.

ii. Process for Reimbursement for Job-Related Supplies and Other Expenses

Employees should complete a Requisition Form, attach supporting documentation, provide original receipts, and obtain appropriate supervisor/account authorized signer approval. As above, in the case where the employee is a Principal Investigator (PI), the Requisition Form must be signed by a person who would be considered to hold a supervisory relationship, such as department chair or college dean, or the Foundation designated manager. The signed Requisition Form should then be submitted to the appropriate Foundation Account Analyst for review/approval. The Account Analyst will forward to Accounts Payable for payment.

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C. Process for Payments to Non-Employees

1. Process for Payments to Non-Employees for Services—Independent Contractors

Consistent with the terms of their approved Independent Contractor (IC) Agreement, IC's receive payment for services by submitting an original invoice to the principal investigator or authorized account signer. Principal investigators or authorized account signers attach the original invoice to a Requisition Form, sign and forward to the appropriate Foundation Account Analyst for review/approval. The Account Analyst will forward to Accounts Payable for payment.

2. Process for Payments to Non-Employees for Non-services

Requests for payments to non-employees for fellowship payments, non-employee education stipends, scholarship and honoraria payments and project expense reimbursements are all initiated on a Requisition Form. The Requisition Form must be accompanied by supporting documentation such as an Educational Stipend Award Letter, or other documentation explaining the rationale for the payment. Principal investigators or authorized account signers complete the Requisition and forward the form along with supporting documentation to the appropriate analyst for review and approval. The account analyst will forward to Accounts Payable for payment.