Domestic Independent Contractors & Supplier Setup

College Of Arts and Sciences Business Operations
Lunch and Learn
August 24, 2020
An independent contractor is an individual engaged by the University to provide a service for a fee.

The independent contractor is subject to the direction or control of the University only as the end result, not as to the means and methods used to accomplish that result.

**A current employee of UNC – Chapel Hill can never be paid as an independent contractor; all duties must be compensated through payroll.**
Examples of Independent Contractors

- Guest Speakers
- Photographers
- Caterers
- Editors
- Musicians
- Consultants
Who Cannot Be an Independent Contractor?
Former or Retired Employees

• Exceptions:
  If former employee or retiree has been separated from the University for over 12 months.

  If former employee or retiree will be performing duties that are significantly different than those performed while employed. For example, a former finance employee hired as a caterer.
Any Individual Employed By Another State Institution

The exception would be if duties to be performed are significantly different than those performed as an employee.

If exception does not apply, individual will need to be hired via dual employment.
Non-Individuals

Any entity with a tax classification on Form W9 other than Individual/Sole Proprietor or Single Member LLC
Types of Domestic Independent Contractors

- **Regular** – Paid less than $10,000 in a calendar year
- **Super IC** – Paid $10,000 or more in a calendar year
- **One Day Speaker**
Documentation Required – Regular Domestic IC

Form W9

Independent Contractor Checklist
https://unc.policystat.com/policy/7009470/latest/

Background Check Clearance (if applicable)
https://unc.policystat.com/policy/5418184/latest/
Super IC – Additional Documentation Required
(Paid $10,000 or more in 12-month period)

• Independent Contractor Service Agreement and Statement of Work. Statement of Work should detail exact services to be provided.

• Customer Request for a Brand/Vendor Specific Waiver of Competition. Document should include letter of sole source justification on departmental letterhead.

Link to both forms:
https://unc.policystat.com/policy/7009470/latest/
When Is a Background Check Required?
Assignment will last more than ten calendar days (may be consecutive or intermittent)

Assignment involves access to sensitive populations, facilities and/or data

Independent Contractor has not had a background check within the past six months
General IC Approval Procedures

1. All ICs should be approved by IC review before the service is performed.

2. Submit a RASR request for a background check, if required, to your HR Business Partner immediately upon decision to use IC.

3. Obtain required documentation from IC and submit for approval as soon as possible. Required forms should be accessed via PolicyStat to ensure they are the most recent available.

4. Allow at least 2 weeks for a domestic IC to be approved.
How to Submit an IC Approval Request

Departments Within CASBO

• As soon as possible, submit an Independent Contractor request with all required documentation into RASR.

Departments Outside CASBO

• As soon as possible, submit an Independent Contractor request with all required documentation into ConnectCarolina.
Submitting an Independent Contractor Request in ConnectCarolina
If the Independent Contractor does not qualify for a One Day Speaker, choose “no” from the dropdown box. Then, click the Add button.
Make sure that all information entered in Connect Carolina, listed on the W9 and noted on the ICD checklist is the same.
Brief description of specific services to be provided:

-I will be a guest singer at the annual Music Department Symposium.

Background Check: Not required, service is less than 10 calendar days with no access to sensitive populations, data or facilities.

*Location where services will be provided: Hill Hall - UNC Chapel Hill

*Start Date: 09/18/2020

*End Date: 09/19/2020

*Service Fee: 1000.000

Estimated expenses: 200.000

How Fee is Determined

- Fee is Fixed
- Milestone Based
- Hourly Rate
- Other
<table>
<thead>
<tr>
<th>Helpful Hints</th>
</tr>
</thead>
<tbody>
<tr>
<td>Include a thorough description of service to be performed by IC.</td>
</tr>
<tr>
<td>Justify background check waiver or reference attached copy of background check clearance.</td>
</tr>
<tr>
<td>Note the location of services whether on campus or remote location</td>
</tr>
<tr>
<td>Service Fee – Maximum amount IC will be paid. Be specific as to how service fee is calculated/measured if not a fixed fee.</td>
</tr>
<tr>
<td>Estimated Expenses – Typically, expenses paid should be equal to or less than this amount.</td>
</tr>
</tbody>
</table>
Include PID and Department number of hiring department representative. This individual can be the department chair, business manager or faculty member.
Tip:

When completing certification information in ConnectCarolina, it is a good practice to verify that the Independent Contractor Determination Checklist has been signed by both the department representative and the Independent Contractor.
A. Is the service provider currently employed by UNC-Chapel Hill?  
   - Yes  
   - No

B. Is the service provider currently employed by any other State of NC agency?  
   - Yes  
   - No

C. Was the individual on the UNC-Chapel Hill payroll (regular or temporary) during the 12 month period prior to the date these services begin?  
   - Yes  
   - No

D. Does UNC-Chapel Hill plan to hire this individual as an employee soon after the period of his or her services as an independent contractor?  
   - Yes  
   - No

E. Is the service provider, his/her spouse, registered domestic partner, dependent child or partner an employee or regularly retained agent of UNC-Chapel Hill?  
   - Yes  
   - No
If employed by another State of NC agency, an explanation is required as to how service significantly differs from duties as a state employee. If duties are not deemed significantly different, individual will need to be hired through dual employment.

If employed by UNC-CH during previous 12-month period, a memo explaining how the services performed significantly differ from the duties performed as an employee is needed.

If a family member is employed by UNC-CH, a memo detailing the relationship is necessary.
Part A – Lecturer/Instructor – Complete if guest lecturer’s visit will be for less than 2 weeks.

Part B – Researcher – Individuals engaged to perform research services will generally be treated as employees, unless faculty at another institution. This option is infrequently used.

Part C – Individuals who are not Instructors/Lectures or Researchers. When completing part C, if question 8 is “no”, be sure to indicate the appropriate % of time spent on campus.
Complete only one part (A, B, or C) depending on the type of services provided by the individual.

Part A. Lecturer/Instructor

If the guest lecturer/instructor’s visit to UNC-Chapel Hill will be for less than two weeks, contractor status is possible (Nine or fewer working days).

1. Is the individual a "Guest Lecturer", e.g., an individual who lectures less than 10% of the class time?

2. Is the individual the primary instructor in a department course being offered for academic credit toward a university degree?

3. Is the individual responsible for the content of the lecture/presentation (versus presenting materials that have been prepared/dictated by the University)?

Part B. Researcher

Because research is a key function of UNC-Chapel Hill, individuals engaged to perform research services for a department or sponsored program will generally be treated as employees, unless they are faculty at another research institution or university.

1. Will the individual serve in an advisory or consulting capacity with a University faculty member or director in a "collaboration between equals" type arrangement?

2. Will the individual perform research in an arrangement whereby a UNC-Chapel Hill faculty member or director serves in a supervisory capacity?
Part C. Individuals who are not Instructors/Lecturers or Researchers

1. Does the individual routinely provide the same or similar services outside of UNC-Chapel Hill to the general public as part of a continuing trade or business?
   - Yes [ ] No [ ]

2. Will the Department provide the individual with specific instructions, supplies, and equipment to perform the required work, rather than rely on the individual’s expertise, supplies and equipment?
   - Yes [ ] No [ ]

3. Will the University set the number of hours and/or days of the week that the individual is required to work, as opposed to allowing the individual to set the work schedule?
   - Yes [ ] No [ ]

4. Will the University pay the individual an hourly rate similar to what other employees are paid on campus for similar work?
   - Yes [ ] No [ ]

5. Does the individual engage in entrepreneurial activities in an established business at risk for loss?
   - Yes [ ] No [ ]

6. Does the individual have his/her own insurance for work-related injuries?
   - Yes [ ] No [ ]

7. Does the individual provide similar services to other clients?
   - Yes [ ] No [ ]

8. Are the services performed on campus?
   - Yes [ ] No [ ]
Twenty Factor Test

Complete all questions based on information indicated on Independent Contractor Determination Checklist. Do not omit any questions.
One Day Speakers
One Day Speaker Requirements

• Speaking services must not exceed one day during a calendar year

• Paid no more than $5,000

• Able to sign a Form W-9 as a U.S. citizen
One Day Speaker Requirements – Continued

• Only department using the speaker for the first time in a calendar year will be able to submit as One Day Speaker.

• Currently, only applies to speakers. It is not applicable to musicians or performers.
Documentation Required – One Day Speaker

Form W9

One Day Speaker Checklist
https://unc.policystat.com/policy/6784946/latest/
If the Independent Contractor qualifies as a One Day Speaker, choose “yes” from the dropdown box. Then click the add button.
The same instructions for a regular Independent Contractor apply to the following sections:

- General Information
- Services Provided
- How Fee is Determined
- Certification of UNC-CH Department
Speaker Checklist Example

A. Is this the only independent contractor work (includes one-day speaking engagements) the speaker has for UNC-Chapel Hill during the current calendar year? (If no, then please do not use this form; contact your department representative for further instructions.)

B. Is the speaker a US Person and eligible to sign IRS form W-9? (If no, please do not use this form; contact your department representative for further instructions)

C. Is the speaker currently employed by UNC-Chapel Hill? (If yes, any compensation for speaking engagements must be submitted through a Payroll electronic Personnel Action, [ePar]).

D. Is the speaker currently employed by any other State of NC agency?

E. Is the speaker, his/her spouse, domestic partner, sibling, parent or child an employee or regularly retained agent of UNC-Chapel Hill? If yes, provide the following for each individual identified: name, relationship to speaker, job position, and department

F. Will the speaker have unsupervised contact with sensitive populations or have access to sensitive data or facilities? If so, a background check may be required.
Speaker Checklist Helpful Hints

Remember time period for work performed is based on a calendar year, not fiscal or academic year.

Checklist can only be used for a US person who is eligible to sign an IRS form W9. This form cannot be used for foreign individuals.

If speaker is UNC employee, this checklist will not be allowed. Employee will need to receive compensation through payroll.

Required documentation needs to be submitted including W9, One Day Speaker Checklist and background check clearance if applicable.
Helpful Resources

IC review Email

IC_Review@unc.edu
Useful Links

- Independent Contractor Determination Checklist
- Independent Contractor Services Agreement and Statement of Work
- Customer Request for Brand/Vendor Specific Waiver of Competition

Link to all forms above:
https://unc.policystat.com/policy/7009470/latest/
Useful Links

Form W9

Background Check Policy
https://unc.policystat.com/policy/5418184/latest/

One Day Speaker Form
https://unc.policystat.com/policy/6784946/latest/
Who is considered a Supplier?

- Suppliers can be any of the following:
  - Independent Contractor
  - Outside Party (Business)
  - Outside Party (Individual)
  - Non-payroll related payments to:
    - University faculty/staff
    - Students
    - Affiliates (Hospital employees)

A valid supplier record must exist in ConnectCarolina before ANY payment related activity can occur.

Employees/Students/Affiliates are not automatically set up with a supplier record – this happens the first time they receive a non-payroll related payment.
How do you verify if a supplier record exists?

• Search for your supplier in ConnectCarolina prior to submitting a voucher request via Finance WorkCenter > Accounts Payable > Supplier Inquiry

• Click Supplier Inquiry and search by PID or, if no PID exists, search by name or address.
What if the supplier doesn’t exist?
(Within CASBO Shared Services)

- Submit a ‘CASBO - Supplier Create’ RASR request with correct, complete forms based on supplier type

  - Employee/Student/Affiliate – enables non-payroll payments
    - No additional documentation required
  - Independent Contractor
    - No additional RASR ticket submission required; automated through RASR when IC approval is initially requested
  - Outside Party Business - enables payments to all business types
    - Supplier Application (HUB) Form
    - W9
    - Direct Deposit Authorization
  - Outside party Individual – enables pmts to attorneys, research participants, rent pmts, etc.
    - Outside Party - Individual certification form
    - Supplier Application (HUB) Form (if a small business)
    - W9
    - Direct Deposit Authorization
What if the supplier doesn’t exist?
(Outside of CASBO Shared Services)

Navigate to ➔ Finance WorkCenter > Accounts Payable > Campus Supplier area in ConnectCarolina
- Add a new value tab
- Choose supplier type:
  - Employee supplier – enables payment to faculty/staff
  - Student supplier – enables payment to a student
  - Affiliate w/ PID – enables payment to a University affiliate (hospital employee)
  - Other supplier – enables payment to a Outside Party - Business, Independent Contractor, or Outside Party - Individual
- If PID exists, please enter PID. If no PID, enter TIN.
What if the supplier doesn’t exist? Cont’d
(Outside of CASBO Shared Services)

✓ Complete the fields for the Supplier’s address, phone # and other contact details
✓ Save your information
✓ Attach relevant documentation based on the supplier type and submit to process
  • Employee/Student/Affiliate – enables non-payroll payments
    • No additional documentation required
  • Independent Contractor
    • Approved IC Checklist
    • W9
    • Direct Deposit Authorization
    • Supplier Application (HUB) Form (if a small business)
  • Outside Party Business - enables payments to all business types
    • Supplier Application (HUB) Form
    • W9
    • Direct Deposit Authorization
  • Outside party Individual – enables pmts to attorneys, research participants, rent pmts, etc.
    • Outside Party - Individual certification form
    • Supplier Application (HUB) Form (if a small business)
    • W9
    • Direct Deposit Authorization
Tip:

The University does require Suppliers to receive payment electronically. Please try to obtain a completed Direct Deposit Authorization Form with a voided check or bank letter verifying account and routing information to establish ACH.
Does the Independent Contractor record exist?

• No?
  Please follow policy in order to obtain correct and complete documentation for submission (see above for reference)

• Yes?
  Does the date on the invoice and the amount charged fall within the range listed under the Independent Contractor in ConnectCarolina?
    ➢ If yes, proceed with payment
    ➢ If no, certain circumstances may allow for an amendment to be approved through IC Review on the existing IC setup

<table>
<thead>
<tr>
<th>*Start Date:</th>
<th>07/06/2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>*End Date:</td>
<td>07/24/2020</td>
</tr>
<tr>
<td>*Service Fee:</td>
<td>1315.00</td>
</tr>
<tr>
<td>Estimated expenses:</td>
<td>25.00</td>
</tr>
</tbody>
</table>
Useful Links

- Supplier Application (HUB) Form
- W9 Form
- Outside Party – Individual Form
- Direct Deposit Authorization Form

Links to all of the above:
https://unc.policystat.com/policy/7516507/latest/
Questions?
Independent Contractor Determination Checklist:

(1) Employee Relationship

708.11f – Employee / Independent Contractor Determination Checklist

Name of Service Provider/Independent Contractor: ________________________________

The information on this form is used to determine whether the service provider is an independent contractor under IRS guidelines. This form must be completed and signed by the individual performing the service; reviewed and signed by the responsible department and approved by Disbursement Services, all completed prior to any service initiated.

If payment for the services provided is greater than $10,000 per 12 months, please complete Independent Contractor Services Agreement. Other forms may also be required.

This checklist helps Disbursement Services determine whether an employer/employee relationship exists for federal, state and FICA tax purposes. The questions below provide information as to the degree of control and the degree of independence in the relationship between the individual performing services and the employer (UNC at Chapel Hill). Additional information may be required to make the appropriate determination. The final determination is made by Disbursement Services in conjunction with Human Resources and is based on consideration of all known facts and not any one answer alone.

All signatures are required prior to submission to Disbursement Services. Incomplete forms will be returned to the originating department.

SECTION 1 – Current Employer – Employee Relationship

A. Is the service provider currently employed by UNC-Chapel Hill? Yes ☐ No ☐

B. Is the service provider currently employed by any other State of NC agency? Yes ☐ No ☐
   If yes, what agency/department? ____________________________________________

C. Was the individual on the UNC-Chapel Hill payroll (regular or temporary) during the 12 month period prior to the date these services begin? Yes ☐ No ☐

D. Does UNC-Chapel Hill plan to hire the individual as an employee after the period of his or her services as an independent contractor? Yes ☐ No ☐

E. Is the service provider, his/her spouse, registered domestic partner, dependent child or partner an employee or regularly retained agent of UNC-Chapel Hill? Yes ☐ No ☐
SECTION 2 – Details of Service
Complete only one part (A, B, or C) depending on the type of services provided.

Part A - Lecturer/Instructor
1. Is the individual a “Guest Lecturer”, e.g., an individual who lectures less than 10% of the class time?
2. Is the individual the primary instructor in a department course being offered for academic credit toward a university degree?
3. Is the individual responsible for the content of the lecture/presentation (versus presenting materials that have been prepared/dictated by the University)?

Part B - Researcher
Because research is a key function of UNC-Chapel Hill, individuals engaged to perform research services for a department or sponsored program will generally be treated as employees, unless they are faculty at another research institution or university.
1. Will the individual serve in an advisory or consulting capacity with a University faculty member or director in a “collaboration between equals” type arrangement?
2. Will the individual perform research in an arrangement whereby a UNC-Chapel Hill faculty member or director serves in a supervisory capacity?

Part C - Individuals who are not Instructors/Lecturers or Researchers
1. Does the individual routinely provide the same or similar services outside of UNC-Chapel Hill to the general public as part of a continuing trade or business?
2. Will the Department provide the individual with specific instructions, supplies, and equipment to perform the required work, rather than rely on the individual’s expertise, supplies and equipment?
3. Will the University set the number of hours and/or days of the week that the individual is required to work, as opposed to allowing the individual to set the work schedule?
4. Will the University pay the individual an hourly rate similar to what other employees are paid on campus for similar work?
5. Does the individual engage in entrepreneurial activities in an established business at risk for loss?
6. Does the individual have his/her own insurance for work-related injuries?
7. Does the individual provide similar services to other clients?
8. Are the services performed on campus? If no, indicate the appropriate percentage of time the individual spends on campus, ____________%
Independent Contractor Determination Checklist: (3) General Information

SECTION 3 – General Information
(Please type or print clearly)

Service Provider’s

Name

Address

City    State    Zip

Description of specific service to be provided (add pages if necessary):

Location where service will be provided:

Start Date:  _______  End Date:  _______

Independent Contractor approval status is effective for services provided between the contract dates specified above, not to exceed 12 months from the start date.

Service Fee ($)  Estimated expenses ($)  

How fee is determined:
Fee is fixed □ Milestone based □ 

Hourly rate ($)  Other: ____________________ (Rate) (Method)
**Independent Contractor Determination Checklist:**

**SECTION 4 – Twenty Factor Test for Determining IC/Employee Status**

(Source: IRS, Revenue Ruling 87-41)

<table>
<thead>
<tr>
<th>Item</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Is the worker free to perform services for a number of firms at the same time?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Are the worker's services regularly made available to the general public?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Must the worker devote substantially full-time to the work?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Can the worker realize an economic loss for non-performance other than the loss of payment for personal services?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Is the worker free to establish his/her own hours?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Has the worker invested in facilities or equipment in order to perform the service?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Will a significant portion of the work be done in UNC-Chapel Hill facilities?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Will the worker receive training of any type?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Does a continuing relationship exist between the worker and UNC-Chapel Hill?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. If assistants are needed, will these be provided by UNC-Chapel Hill?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Will UNC-Chapel Hill determine or have the right to determine the order or sequence of the tasks to be completed?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Are progress reports required periodically?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. Will the worker be paid on an hourly, weekly, monthly, or other periodic basis?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. Will the worker be reimbursed for incidentals?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. Will UNC-Chapel Hill furnish tools other than specialized equipment?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16. Is the worker required to comply with instructions about where, when, or how he or she is to work other than general parameters?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17. Does the success of the project hinge on the performance of the worker?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18. Must the service(s) be rendered personally?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19. Can the worker be discharged for convenience as one would an hourly employee as opposed to discharge related to contract requirements?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20. Can the worker unilaterally terminate the work prior to completion without liability?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Independent Contractor Determination Checklist: (5-6) Certifications