

Independent Contractor – Policy

Date Effective
November 2018

Responsible Administrator: Vice Chancellor for Finance and Chief Financial Officer
 Responsible Office: Controller’s Office
 Policy Contact: Senior Director, Purchasing and Payment Services

Contents

1. Policy Statement 1
 2. Scope 1
 3. Definitions..... 1
 4. Policy 2

1. Policy Statement

This policy defines the requirements for engaging and paying for the services of independent contractors, determining the supplier relationship governing these services, and maintaining compliance with all applicable state and federal employment laws and IRS regulations.

2. Scope

This policy applies to all departments who engage outside firms or individuals to perform services for Vanderbilt University.

3. Definitions

Independent Contractor – An independent contractor is an individual or firm hired to provide services over which Vanderbilt has the right to control or direct only the result of the work and not the means or methods of accomplishing the results. An independent contractor is not an employee of Vanderbilt University.

Outside Faculty – An individual with faculty status at another accredited college or university who is engaged to provide services as an independent contractor such as lecturing, consulting or other academic services outside of teaching as visiting faculty. Outside faculty are considered independent contractors for the purposes of this policy.

Sole Proprietor – An individual who performs services under their Social Security Number (SSN) and is not classified as a corporation or LLC.

20-Rule Test – Internal Revenue Service (IRS) guidelines used to assess if a contractor engagement is independent or qualifies as an employer-employee relationship.

Professional Services – Services performed by a firm or individual whose work product is usually intangible or is deemed to be intellectual property (e.g., consulting, IT programming, academic research services).

Trade Services - Services performed are usually tangible in nature and not considered intellectual property (e.g., building trades, maintenance, security, installation services, catering).

Honorarium – A one-time payment made to individuals other than Vanderbilt faculty or staff, for an academic activity or service for which fees are not traditionally required; payments for volunteered services unrelated to an individual's official duties; or payments granted in recognition of an academic activity conducted for the benefit of the university's mission, such as lecturing, teaching, consulting, conducting research, attending meetings, symposia or seminars, or otherwise sharing knowledge. The payment of honoraria cannot be a condition for services; otherwise, it is considered a fee required as part of a contract.

Limited Engagements – A status of service provided by consultants, contractors, performers, lecturers or speakers whose total fee is less than \$5,000 for a single engagement of limited duration, usually one week or less.

4. Policy

- a) Vanderbilt processes all payments for services performed by individuals classified as employees under IRS guidelines through Vanderbilt's payroll system.
- b) Vanderbilt will competitively source all products or services required by the university totaling \$25,000 or more individually, or as a system including multiple components.
- c) Vanderbilt requires independent contractors to disclose if any business with the university may create a conflict of interest with any member of the university community with whom the independent contractor has business or other ties for purposes of financial gain beyond the payments received directly for their services.
- d) Vanderbilt requires independent contractors to provide documentation (e.g., quote, proposal, or statement of work) describing the work performed by the independent contractor and on what basis the fee was calculated.
- e) Vanderbilt considers an independent contractor to be a firm or individual who meets all of the following requirements:
 - Provides a defined service to the university for a specific price;
 - Provides the services as a recognized profession or business to the general public for hire;
 - Provides a service usually not available within the university, and is not on the university payroll as an employee;
 - Substantially meets the IRS 20-Rule Test criteria in the Independent Contractor/Employee Checklist.
 - Provides services that are secured with a contract and/or purchase order appropriate for the type and scope of services; and
 - The university's control over the work is limited to the work content rather than the means or methods of production.

- f) Vanderbilt considers an employee/employer relationship to exist if the relationship of the individual performing the service to the university is currently solely one of faculty or staff member.
- g) Vanderbilt will use the Human Resources Independent Contractor / Employee Checklist (which incorporates the IRS 20-Rule Test) to determine whether or not the individual whose services are being retained should be paid as an employee or as an independent contractor.
- h) Vanderbilt requires independent contractors to comply with the university's Background Check Policy as a condition of the contract and before any work can commence.
- i) Vanderbilt requires a Statement of Location form for work performed by independent contractors located outside the United States.
- j) Vanderbilt requires independent contractors to email invoices for fees and reimbursable expenses to invoices@vanderbilt.edu. All invoices must include a valid Purchase Order number.
- k) Vanderbilt will report payments to individuals or partnerships who are independent contractors to the IRS on Form 1099 Miscellaneous in accordance with IRS regulations.
- l) Vanderbilt applies the following matrix to govern contracting/purchase orders, payments and payment terms for independent contractors with engagements greater than \$5,000 or any engagements involving professional services, intellectual property, works of art, research or business services regardless of dollar amount.

Contractor Type	Contract Required	Invoice Required	Standard Payment Terms
Consultant / Professional Services	Yes	Yes	Net 45
Contractor / Trade Services	Yes	Yes	Net 45
Artist / Speaker	Yes	Yes	Net 0 / Immediate Pay

- m) Vanderbilt applies the following matrix to govern engagements with consultants, contractors, performers, lecturers or speakers whose total fee is less than \$5,000 for a single engagement of limited duration.

Transaction Type	Payment Required	Contract Required	Invoice Required	Standard Payment Terms
Honoraria	Departmental Discretion	No. Non PO Payment	No	Net 0 / Immediate Pay
Speaker / Lecturer	Yes	No. Non PO Payment ¹	Yes	Net 0 / Immediate Pay
Consultant / Contractor	Yes	No. PO Governs ¹	Yes	Net 45
Performing Artist	Yes	No. Non PO Payment ¹	Yes	Net 0 / Immediate pay

¹ A contract is required if the speaker/artist is represented by an agency or a contractor's services require non-standard terms and conditions.