Worker Classification: Employee or Independent Contractor

I. Purpose
To ensure compliance with IRS Regulations for proper classification of a worker as an employee or independent contractor and provide guidance to University administrators and employing officials when selecting, hiring and compensating individuals for providing services to the University.

II. Definition
- **Independent contractor**: An individual that offers services to the general public on a consistent basis and must also meet the following conditions:
  a. An independent contractor cannot be a current University employee and must not have been paid as an employee within the preceding twelve months. (Payments from the University will be documented by the issuance of an IRS Form 1099.)
  b. Provides services to the University through a written scope of services.
  c. Renders a service to the University for a specified time period and a specific amount of compensation.
  d. Performs services for which the University does not have the authority to control the methods used to accomplish the results.

- **Honorarium**: Gratuitous payments of an amount determined by the University, made to Visiting Speakers, Guest Lecturers or others, solely to express appreciation for their service to the University when no contractual agreement, neither written or verbal, exists and payment is not expected or legally due. The individual should not have responsibility for grading papers or taking class attendance nor can they have been an employee of the University during the previous twelve months. **Note**: an agreement to pay an individual’s travel expenses does not constitute a contractual agreement.

III. Worker Classification Types for Independent Contractor include, but are not limited to, the following: (not all inclusive)

- Actors
- Collaborators
- Contest Judges
- Disc Jockeys
- Editors
- Entertainers
- Guest Lecturers
- Interpreters
- Interviewers
- Musicians
- Photographers
- Proofreaders
- Referees
- Transcribers
- Translators
- Visiting Speakers
- Writers

IV. Responsibilities
A. Departmental Hiring Official:
   - Complete a [Worker Status Evaluation Form](#)
B. Human Resources Compensation
   - Evaluate the Worker Status Evaluation Form and classify as Employee or Independent Contractor.
C. Purchasing
   - Evaluate the Payment Request Document (PRD) for compliance with delegated purchasing authority or the SRM Shopping Cart if appropriate.
D. Accounts Payable Services
   • Final audit and approval of the Payment Request Document (PRD) or posting of invoice to purchase order.

V. Policy
All workers retained by departmental administrators and hiring officials to provide services to the University must be properly classified as an employee or independent contractor in accordance with the IRS guidelines for worker classification as described in IRS Publication 15-A located at http://www.irs.gov/publications/p15a/ar02.html#en_US_2013_publink1000169489

VI. Forms
   A. Worker Status Evaluation Form
   B. Independent Contractor/Client Scope of Work Form

VII. Procedures
   A. Departmental Hiring Official completes a Worker Status Evaluation Form prior to retaining an individual(s) for services and submits it to Human Resources Compensation.
      1. Generally, a Worker Status Evaluation Form is required each time an individual is to be retained. (See item 2. Below for exception)
      2. A Worker Status Evaluation Form may be completed for a Worker Classification Type when a Division, College or Department expects to be retaining multiple individuals to provide services of the same type throughout, or for a specified period within, a fiscal year. (See section III above for Worker Classification Types)
      3. A worker Status Evaluation Form is only required for an Honorarium (see definition above) payment greater than $2,000 excluding travel expenses.
   B. Human Resources Compensation evaluates the Worker Status Evaluation Form and determines the appropriate classification – Employee or Independent Contractor and returns the form to the department for appropriate action.
   C. Department Hiring Official:
      1. Payment as an Employee –
         a. Establish a position (regular or temporary) with Human Resources if necessary. http://www.uky.edu/eForms/forms/guidelines.pdf
         b. Complete the appropriate Personnel Actions in Human Resources transaction PA40.
      2. Payment as an Independent Contractor –
         a. Have the Independent Contractor complete a Scope of Work Form.
         b. Set the Independent Contractor up as a vendor if necessary by completing a Vendor Application or a completed and signed IRS W-9 form and submitting to Purchasing.
         c. Select the appropriate method of payment for the type of services through reference to the Purchasing/AP Quick Reference Guide (Create either a Payment Request Document (PRD) or SRM Shopping Cart.) Note: Payment to Nonresident Aliens - all compensation to Nonresident Aliens must be made by a University check through the PRD process with proper documentation. Refer to Business Procedure BPM E-7-7 for complete procedures.
d. Attach the Worker Status Evaluation Form and an Independent Contractor/Client Scope of Work Form to either the Payment Request Document PRD or the SRM Shopping Cart.

e. Attach the vendor invoice to the Payment Request Document (PRD) or route the invoice via a Vendor Invoice and Credit Memo Transmittal to Accounts Payable if paid by purchase order.

3. Paying a Honorarium (No contracted services for fee)
   a. Set the recipient up as a vendor if necessary by completing a Vendor Application or a completed and signed W-9 and submitting to Purchasing.
   b. Create a PRD for the gratuitous payment, using PRD catalog Honorarium #9000030.
   c. Attach the Worker Status Evaluation Form to the PRD for payments greater than $2,000.

D. Purchasing:
   1. Reviews the PRD for compliance with delegated purchasing authority or created SRM purchase order.

E. Accounts Payable Services Department
   1. Final audit and approval of the PRD for payment or posting of invoice to SRM purchase order.