Policy on Independent Contractors; Honorariums; and Prizes, Awards, Gifts & Scholarships
# Policy on Independent Contractors; Honorariums; and Prizes, Awards, Gifts & Scholarships

## Table of Contents

**INDEPENDENT CONTRACTOR POLICY** ................................................................. 2  
  Background ........................................................................................................... 2  
  Determining Employer and Employee Relationship ............................................. 2  
  Policy .................................................................................................................... 2  
  Definitions ............................................................................................................ 2  
  Classification Factors............................................................................................ 3  
  Procedure .............................................................................................................. 3  
  Guidelines to Consider When an Independent Contractor Relationship Exists ........ 3  
  Classification Checklist ........................................................................................ 5  

**HONORARIUM POLICY** ...................................................................................... 6  
  Background ........................................................................................................... 6  
  Policy .................................................................................................................... 6  
  Definition ............................................................................................................... 6  
  Honorarium Payment ............................................................................................. 7  
  Honorarium Engagement Procedure .................................................................... 7  
  Honorarium Payment Procedures ......................................................................... 7  
  Bloomfield College Honorarium Request Form ...................................................... 9  

**PRIZES, AWARDS, GIFTS, AND SCHOLARSHIP POLICY** ............................. 10  
  Background ........................................................................................................... 10  
  Definitions ............................................................................................................ 10  
  Expenses that Do Not Qualify .............................................................................. 11  
  Policy .................................................................................................................... 11  
  Employees (Including student-employees) ............................................................ 11  
  Students/Other Non-Employees ........................................................................... 12
INDEPENDENT CONTRACTOR POLICY

Background
The IRS has been very aggressive in looking at how universities and colleges classify their workers. The penalties for incorrectly classifying employees as independent contractors are significant. If a worker paid as an independent contractor is reclassified by the IRS as an employee, the College will be liable for the amount of the federal income taxes it failed to withhold, together with both the employer’s and employee's share of FICA taxes associated with that employee's compensation. In addition, Bloomfield College is responsible for the withholding and timely remittance of appropriate income taxes from wages paid to our employees. These wages and taxes paid to employees are reported on Form W-2; amounts paid to independent contractors are reported on Form 1099.

Determining Employer and Employee Relationship
Bloomfield College utilizes IRS guidelines in determining worker classification. This method basically consists of analyzing the level of control we, as the employer, exert over the worker. The more control we possess (especially over the means of accomplishing a task rather than the end result), the more likely a worker is an employee. Control, in this instance, is defined as the level of legal right to direct rather than the level of direction actually provided.

It should be noted that the IRS tends to view an individual performing teaching functions for a College as an employee of that College for tax purposes regardless of the duration.

A current employee of the College will not be considered an independent contractor.

Policy
Prior to engaging the services of any individual as an independent contractor, the hiring department must complete an Independent Contractor Classification Checklist to determine the proper work status of the individual - either as an employee of the College or an independent contractor.

Definitions

Employee An individual in an employment situation in which the employer has the right to control and direct the individual with regard to the result to be accomplished and the process by which the result is accomplished. Since the main focus of Bloomfield College is higher education, any individual performing a teaching function must be treated as an employee. Individuals who are currently employed by the College who may be asked to serve as consultants for other College departments must be paid through Payroll with all appropriate taxes withheld.

Independent Contractors Individuals who render a service and meet contractor conditions established by the IRS. They typically have a separate workplace, are not supervised, and have a particular set of skills not available elsewhere within the
organization. They are not entitled to employee benefits, are not covered by workers' compensation, and their pay is usually not subject to income tax withholding.

**Consultants** Independent contractors who more specifically provide professional advice. They usually have a separate skill or expertise not available within the College, and the need for their services commonly does not extend beyond a limited period of time in which to complete a specifically defined project.

**Classification Factors**
A worker is an employee, not an independent contractor, if an employer/employee relationship exists. Such a relationship exists if the College has the right to DIRECT AND CONTROL the worker, both as to the final results and the details of when, where, and how the work is to be done.

**Procedure**
Prior to engaging the services of any individual as an independent contractor, the hiring department must complete an Independent Contractor Classification Checklist to determine the proper work status of the individual. Departments are responsible for making an initial assessment of the employment status of individuals they hire based on the results of the checklist; departments are encouraged to contact the Accounting Office in Knox Hall with specific questions prior to finalizing arrangements with the individual. Upon completion of the classification checklist, if any of your answers are in shaded section your request should be treated as an employee.

If the individual is considered to be an employee, the hiring supervisor will follow the regular hiring procedures to place the individual on the College's payroll. Human Resources or Academic Affairs will facilitate that action.

If the individual is considered to be an independent contractor, the hiring department will submit a requisition to the Purchasing Department via e-procurement system along with a completed Bloomfield College Consulting Agreement*, classification checklist and any other supporting documentation.

All new vendors must complete a W-9 form which must be submitted with request. Contracts in excess of $2,500 must be competitively bid or a sole source justification must be completed. This independent contractor will receive a purchase order from Bloomfield College and all invoices will be processed against this order number.

*Other independent contractor agreements will be accepted once approved by our Legal Counsel.

**Guidelines to Consider When an Independent Contractor Relationship Exists**
The hiring of an independent contractor or consultant should be based upon a selection process which attempts to secure the most qualified individual for the assignment. Compensation should be appropriate for the type of advice or service provided and should reflect the skills and qualifications of the individual selected to perform the service.
1. Do not establish a work schedule.
2. Do not provide office space or training.
3. Do not furnish tools and materials.
4. Do not require the independent contractor to provide regular verbal or written reports.
5. Payment for the assignment should be based generally on one fee for performing the service rather than by the hours spent on that assignment.
6. The independent contractor may need to provide proof of insurance/liability coverage.
7. Incidental such as travel, meals and materials should be included in the fee, or should be stated, for example, "as not to exceed ten percent of the fee."
8. Do not include an independent contractor's name in the Bloomfield College telephone directory or request the issuance of a regular parking permit.
9. Be mindful that independent contractors who do not perform services for any other employer are likely to be considered employees by the Internal Revenue Service.

More information regarding the classification of independent contractor vs. employee can be found at the following IRS websites:


Questions regarding the College’s policy should be directed to the Accounting Office in Knox Hall.
## Classification Checklist

*(Employee verse Independent Contractor)*

Name of individual being considered: ___________________________

Individual’s SSN or EIN: _____________________________

<table>
<thead>
<tr>
<th>Current Payroll Status:</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Was the person being paid through Payroll during the current or previous calendar year? If Yes, was it for similar work?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Behavior Control:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Does the employer have the right to control when, where, and how the work is done?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you set the work hours?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is the person required to perform the work personally?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is the work performed using Bloomfield College facilities?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is the worker required to follow your instructions in completing the job or task?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is the worker allowed to delegate or assign the work to others and/or assistants not currently working for Bloomfield College?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Control:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the worker paid by the hour, biweekly, or monthly, rather than for the completion (or stage completion) of the project?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are you required to pay the worker for time spent even if the job is not completed?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do both parties have the right to terminate the relationship at will?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the worker carry his/her own insurance?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Relationship:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Is Bloomfield College the individual’s only client?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is the work in question customarily performed by employees/faculty?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Any answers in shaded section indicate person is an employee. If additional assistance is required in determining employment status please contact the Accounting Office in Knox Hall.

Please describe the work that is to be done and who will be doing it (be as detailed as possible):

____________________________________________________________________________________
____________________________________________________________________________________
____________________________________________________________________________________
____________________________________________________________________________________

Completed by ___________________________ Title: ___________________________ Department ___________________________ Date ___________________________
HONORARIUM POLICY

Background
The purpose of this policy is to provide a framework for consistent and fair treatment, across the College, when giving a nominal payment to a guest speaker or other individual(s) who has been invited to provide a unique service to the College. This policy applies to non-employees of the College only. The College will not provide an honorarium payment to an existing employee. An employee may be eligible to receive a stipend for specified services and would be subject to any taxation consequences.

Policy
An honorarium is an ex gratia payment made to a person for their services in a volunteer capacity or for services for which fees are not traditionally required. Bloomfield College follows the Internal Revenue Service’s definition to determine when an individual is qualified to receive a payment as an honorarium.

Definition
An honorarium is a payment for services for which custom or propriety forbids a price to be set. This method of payment is usually made to a guest speaker or lecturer as a "thank you" and gesture of good will and appreciation. An honorarium is not based on an agreed amount between the individual providing services and the individual seeking services. If payment is agreed upon, this constitutes a contractual agreement and will involve invoicing, taxes, and related factors.

An honorarium is typically a small payment made on a special or non-routine basis to an individual who is not an employee of the College, to recognize or to acknowledge the contribution of gratuitous services to the College. The payment, if necessary, should be recognized, not as an equivalent value to a professional charge, but as a token of appreciation, and a nominal value assigned to it.

Examples would be a nominal payment to a guest speaker or lecturer as a “thank you” and as a gesture of good will and appreciation, or a token payment for other unique, incidental and infrequent services not traditionally required on an on-going basis. Examples include:

- A special classroom lecture or short series of lectures by an external party
- Conducting a seminar or workshop
- Serving as guest speaker at an educational event or other similar function
- Participating as a guest speaker at outreach events
- Assistance for set-up or supporting activities at special events

An honorarium differs from a stipend, which is a fixed sum of money paid periodically for services. Reoccurring events that have individuals expecting payment for services would receive a stipend, not an honorarium.
Honorarium Payment
Honorarium payments can be in the form of cash or gift and should be limited to increments of $10.00, to a maximum of $500.00 or less, unless specifically authorized by a Vice-President. Notable exceptions might be for distinguished or recognized professional keynote speakers at major events or fundraising activities.

According to the IRS, all honorarium payments to individuals are taxable.

- A 1099 (Miscellaneous Income) form will be issued by the College for compensation to an individual in excess of $600.00 per calendar year.
- If the intended honorarium recipient is not a resident of the United States, additional withholding may be required. Contact the Finance Office for assistance and completion of non-resident forms.

An Honorarium is not appropriate if the College is obtaining the services of a professional speaker or consultant who performs the requested service for a living.

If the College were engaging an individual repeatedly over a brief period of time, an Honorarium would not be appropriate as such use would be in conflict with the purpose of this policy. To ensure proper oversight of the use of the Honorarium, payments to an individual made in a given fiscal year are limited to $500 in total. Travel expenses may be reimbursed or paid directly on behalf of the guest provided they are in accordance with the College’s Business Expense policy (see Note 1 below).

Conflict of interest or engagements with related parties must be disclosed in advance to the Vice-President of Finance and Administration.

Honorarium Engagement Procedure
Prior to engaging the services of any individual who will be compensated via an honorarium, the hiring department must complete the Honorarium Request Form. Departments are responsible for making an initial assessment of the employment status of individuals they engage to ensure that they meet the definition of honorarium. Departments are encouraged to contact the Accounting Office in Knox Hall with specific questions prior to finalizing arrangements with the individual. Upon completion of the form and obtaining all necessary approval the individual can be engaged. The individual being engaged must submit a completed and signed W-9 Form to the Accounting Office in Knox Hall via mail or faxing to 973-259-0710 or attach to the Honorarium Request Form.

Honorarium Payment Procedures
In order to process an Honorarium payment, the Voucher Form must be completed and signed by all parties and submitted to the Accounts Payable Department. Be prepared to provide the following information:

- The completed and signed Honorarium Request Form
- W-9 form completed by person being engaged (if it has not already been sent to the Accounting office in Knox Hall)
- Name of honoree/speaker/individual
- The mailing address to send check
- Honoree’s institution or organization
- Purpose of honorarium
- Date of engagement
- Time or effort being recognized
- Amount offered
- Signatures of Requestor and Approver
- Department Account number to be charged

Note 1: Travel allowances and expected reimbursements, must be submitted using the Travel Expense Reimbursement form and sent to Accounts Payable.
Bloomfield College Honorarium Request Form

<table>
<thead>
<tr>
<th>Date: __________________________</th>
<th>Account(s) to be charged: __________________________</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of Person being engaged: __________________________</td>
<td></td>
</tr>
<tr>
<td>Person’s Mailing Address: __________________________</td>
<td></td>
</tr>
<tr>
<td>The event, class or meeting for which the speaker is engaged or invited: __________________________</td>
<td></td>
</tr>
<tr>
<td>Date of event/class/meeting: __________________________</td>
<td>Anticipated size of audience: __________________________</td>
</tr>
<tr>
<td>The audience will consist of: __________________________</td>
<td>Location: __________________________</td>
</tr>
<tr>
<td>The speaker’s program: ____________________________________</td>
<td></td>
</tr>
<tr>
<td>In brief, the qualifications of the speaker: professional position, education, training, background, or similar and what makes their service unique: ____________________________________</td>
<td></td>
</tr>
<tr>
<td>Amount of honorarium requested: __________________________</td>
<td>Estimated Reimbursement for Travel: __________________________</td>
</tr>
<tr>
<td>A Business Travel and Entertainment Expense Reimbursement form needs to be completed for payment of travel expenses.</td>
<td></td>
</tr>
<tr>
<td>Name of Bloomfield faculty/staff making this request __________________________</td>
<td>Signature of Bloomfield faculty/staff making this request __________________________</td>
</tr>
<tr>
<td>Name of Supervisor __________________________</td>
<td>Signature of Supervisor __________________________</td>
</tr>
<tr>
<td>Name of Vice President __________________________</td>
<td>Signature of Vice President __________________________</td>
</tr>
</tbody>
</table>

This completed and approved form to be included with the Voucher Form when requesting honorarium payment. Person being engaged must submit a completed W-2 form which can be attached to this document or mailed/faxed directly to Knox Hall, Accounting Department. No payments will be processed without a W-9 form on file.
PRIZES, AWARDS, GIFTS, AND SCHOLARSHIP POLICY

Background
The Internal Revenue Code states that under certain circumstances the value of prizes and awards/gifts to individuals is considered taxable income. Non-US citizens may be subject to additional tax rules, depending on circumstances and treaty status. Historically, the terms “prize” and "award" have been used by departments for payments distributed to students during the academic year, most notably on an honors and awards day. Unless the student entered and won a judged competition, such payments are Scholarships, not Prizes.

Definitions

Cash Equivalent Award/Gift Any item which can be used to “purchase” merchandise or which can be easily converted to cash. Under IRS code, this includes gift cards and gift certificates. Cash gifts and gift certificates to Bloomfield College employees (including student-employees) are prohibited.

De Minimis Benefit Any property or service provided to an employee that has so little value that accounting for it would be unreasonable or administratively impractical. Under IRS code, cash and cash equivalent fringe benefits (i.e. gift cards/certificates), no matter how small, are never excludable as a de minimis benefit. Examples of de minimis benefits include the following:

- Occasional meals.
- Occasional College sanctioned parties or picnics for employees and their guests.
- Occasional personal use of company equipment (at least 85% of its use must be for business purposes.)

Tangible Award/Gift Any non-cash item provided to an employee in recognition of performance or length-of-service. Examples include: flowers, books, trophies, plaques, food, etc.

Award/Gift Recognizes term of service, exceptional performance, special achievement, etc. Awards/gifts to students are taxable unless they qualify as scholarships under the Tax-Free Scholarships and Fellowships section below and are directly applied toward tuition, required fees, books, and equipment or unless tangible and de minimis.

Prize Recognizes performance as part of a judged competition, e.g. best design, highest score, academic achievement, etc. or winnings from a raffle or drawing. Prizes are taxable unless tangible and de minimis.

Taxable Period The calendar year, i.e. January 1 through December 31.
Tax-Free Scholarships and Fellowships  A scholarship is tax free provided you are a candidate for a degree at an eligible educational institution, and you use the scholarship or fellowship to pay qualified education expenses. (See www.irs.gov/publications/p970/ch01.html)

Candidate for a Degree  You are a candidate for a degree if you:

- Attend a primary or secondary school or are pursuing a degree at a college or university, or
- Attend an accredited educational institution that is authorized to provide:
  - A program that is acceptable for full credit toward a bachelor's or higher degree, or
  - A program of training to prepare students for gainful employment in a recognized occupation.

Qualified Education Expenses  For purposes of tax-free scholarships and fellowships, these are expenses for:

- Tuition and fees required to enroll at or attend an eligible educational institution, and
- Course-related expenses, such as fees, books, supplies, and equipment that are required for the courses at the eligible educational institution.

These items must be required of all students in your course of instruction. However, in order for these to be qualified education expenses, the terms of the scholarship or fellowship cannot require that it be used for other purposes, such as room and board, or specify that it cannot be used for tuition or course-related expenses.

Expenses that Do Not Qualify

Qualified education expenses do not include the cost of:

- Room and board
- Travel
- Research
- Clerical help, or
- Equipment and other expenses that is not required for enrollment in or attendance at an eligible educational institution.

Policy

Employees (Including student-employees)

- Tangible gifts (i.e. bookstore items, plaques) less than $100 do not have to be reported to payroll.
Policy on Independent Contractors; Honorariums; and Prizes, Awards, Gifts & Scholarships

- Items greater than $100 should be reported to payroll on the Department Prize, Awards, Gifts, and Scholarship Notification Form.
- Awards or gifts to employees, except for length service, are taxable and must be reported on the Department Prize, Awards, Gifts, and Scholarship Notification Form.
- Cash gifts and gift certificates to Bloomfield College employees (including student-employees) are prohibited.
- All scholarships and awards that meet the IRS definition of a Tax-Free Scholarship and Fellowship must be reported to Financial Aid and included on the student record. Refunds will be issued through Student Financial Services.
- Student-employees are defined as an individual who has worked and received payment from Bloomfield College during the current calendar year.

Students/Other Non-Employees

- All scholarships and awards that meet the IRS definition of a Tax-Free Scholarship and Fellowship must be reported to Financial Aid and included on the student’s record. Refunds will be issued through Student Financial Services.
- Awards or prizes to students/other non-employees are taxable and must be reported on the Department Prize, Awards, Gifts, and Scholarship Notification Form. The gift, prize or award can be processed without tax withholding but is still considered income. Bloomfield College reports payments totaling $600 or more in the calendar year as taxable income using Form 1099-MISC.