



Angelo State University
Operating Policy and Procedure

OP 56.12: Payments to Participants in Research Studies and Other Sponsored Projects

DATE: December 20, 2017

PURPOSE: The purpose of this Operating Policy/Procedure (OP) is to establish procedures for payments made by Angelo State University (ASU) to individuals involved in projects, surveys, or studies and to ensure compliance with federal income tax withholding requirements and proper reporting of payments to the Internal Revenue Service (IRS).

REVIEW: This OP will be reviewed in November of every five years, or as needed, by the controller and the director of sponsored projects with recommendations submitted through the vice president for finance and administration to the president by December 15.

POLICY/PROCEDURE

1. General Statement

- a. Program/research participant payments are those payments made by ASU to individuals to compensate them for participation in approved projects, surveys, or studies.
- b. Program/research participant payments made to individuals who are not United States citizens or permanent resident aliens (“nonresident aliens”) are subject to 30 percent withholding tax at the time of payment, regardless of amount. Payment must be made by check so that the required tax can be withheld.
- c. Noncash items (such as MP3 players, iPads, etc.) may not be provided to participants as the means to compensate them for participation in a research project, survey, or study unless approved by the sponsoring agency prior to the initiation of the project. Principal Investigators/Project Directors (PIs/PDs) must provide participants’ names, tax identification information, and the dollar amount of the noncash items with the purchase requisition.

A noncash item may not be provided to a participant who is a nonresident alien.

- d. All research projects that involve human subjects must be approved by the Institutional Review Board for the Protection of Human Subjects in Research (IRB) prior to initiation of the projects (see OP 56.03). The IRB must approve the amount and type of payments to research participants before any such payments may be made.
- e. All principal investigators/project directors (PIs/PDs) must obtain a completed and signed *Recipient Information* form (Attachment A or B) and an [IRS Form W-9](#) (for payments of more than \$25) for each research participant. The Recipient Information form is required

to be retained in a secure location by the PI/PD or respective department for three years plus the current fiscal year after the final technical and financial project reports have been submitted. The IRS Form W-9 must be submitted to the Purchasing Office for processing and retention.

- f. Research participants may be given the opportunity to participate without receiving payment if they do not wish to provide identifying information.
- g. This policy and procedure apply to all payments made by ASU to research/sponsored project participants, regardless of the original source of funding.

2. Types of Payments

a. Check

All program participants should be paid by paper check sent via the U.S. Postal Service. The information necessary to prepare and mail the check must be provided in the forms required in item 1.e. of this OP. Should the PI/PD want to distribute the checks to the participants in person, he/she must personally pick them up from the Accounts Payable Office. Student workers may not pick up these checks.

The participants may be paid via direct deposit. Questions regarding eligibility for this method of payment should be directed to the Accounts Payable Office.

ASU is required to collect tax identification information on all payments except for (1) individuals participating in certain private studies (see section b. below) or (2) single participant payments of \$25 or less (see Attachment B). If a department fails to comply with the collection of this information, any fees assessed as a result of an IRS audit finding will be charged to the department conducting the research/study.

b. Research Participant Payments in Private Studies

In certain circumstances, research studies are performed that require the privacy of the research participants be protected. Such studies will be reviewed on a case-by-case basis in consultation with the PI/PD, Controller's Office, and the Chairperson of the Institutional Review Board to determine what level of documentation is needed and acceptable.

3. Compliance

a. Reporting Payments

All information required to complete a paper check request is collected on the *Recipient Information* form and on the completed IRS Form W-9. Once this information has been collected from the participants, an electronic requisition should be submitted to Purchasing via Banner. The Recipient Information form must be attached to the requisition as supporting documentation, and the signed W-9 form must be sent to the Purchasing Office.

If noncash items will be distributed to the participants, a description of the items distributed as well as the fair market value of the items must be documented on the

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Recipient Information Form. This form must be submitted with the purchase requisition so the items may be included in the preparation of IRS Form 1099-MISC.

ASU must report to the IRS payments (both cash and noncash) made to an individual that equal or exceed \$600 during a calendar year. Such individuals will also receive IRS Form 1099-MISC. PIs/PDs are responsible for informing participants of their possible tax liability.

b. Nonresident Alien Withholding

Payments to nonresident aliens (individuals who are not US citizens, permanent resident aliens, or resident aliens for tax purposes), regardless of the amount, are subject to 30 percent federal income tax withholding. At the time the payment is processed to these individuals via paper checks, 30 percent federal tax withholding will be deducted from the amount of the payment. Failure to withhold or report taxes withheld in a timely manner could result in IRS penalties assessed in the case of an audit finding. Any penalties assessed by the IRS due to non-compliance will be charged to the PI/PD or respective department conducting the research/study. Nonresident aliens will receive IRS form 1042-S for reporting purposes.

c. Special Provisions for Payments to Employees

Payments made to an employee who is participating in a research study will be treated the same as payments made to a non-employee, if all of the following conditions are met:

- (1) The employee's participation is totally voluntary and not part of his/her university duties;
- (2) The employee's participation is on his/her own time;
- (3) The employee does not perform any service while participating in the research study that would be performed in the course of his/her regular duties for the university; and
- (4) The employee is being paid the same as all other participants of the study, with no added benefits for participating.

It is the responsibility of the paying department to assure that these conditions are met. If all of the conditions are satisfied, payment can be made according to the provisions of this policy. Payment will be reflected on the employee's next scheduled paycheck with applicable employment taxes withheld and it will be reported on Form W-2 after calendar year end.

4. Types of Funds

Payments for program participants will be allowed only on local funds, and only with prior approval of the funding agency (state funds are not allowed).

Attachment A: [Recipient Information Form](#)

Attachment B: [Recipient Information Form for Payments of \\$25 or less](#)