Payments to Research Subjects for Incentives/Participation

I. Date of Initiation/Revision

Initiated: June 1, 2008; Revised: May 1, 2009

II. Policy Classification

Senior Vice President for Administration and Finance and Chief Financial Officer - University Controller’s Office (Finance Department).

III. Policy Statement

This policy promotes the proper stewardship of University funds by providing general guidelines for the appropriate and legal uses of University funds in support of the University’s missions. The University receives, from a variety of sources, funds that carry with them fiduciary responsibilities. Inherent in these responsibilities are the requirement to operate the institution under guidance set forth by the University’s Board of Trustees, to properly safeguard and protect University assets, and to comply with all federal, state, and local laws and regulations. This policy contemplates also that certain institutional duties and responsibilities have been delegated to the operating units (department/division) of the University involved in the conduct of business and to display sound ethical business practices in carrying out these responsibilities. This policy will adhere to and be in conformity with relevant Internal Revenue Service (IRS) rules/regulations at all times and subject to change as IRS rules change.

IV. Policy Summary and Definitions

Summary:

This policy is designed to provide documentation and reporting guidance to University faculty/administrative staff involved in processing payments made to individuals/human subjects participating in research studies. Payments made to individuals for research participation and incentives are considered taxable payments for services and are subject to IRS income reporting requirements. The University must report to the IRS all payments made to any single individual in any single calendar year that aggregate to $600.00 or more. The University must report to the recipient all payments made to them in any single calendar year that aggregate to $600 or more on IRS Form 1099-MISC (for US citizens and permanent residents). For nonresident aliens, the University is required to report these payments (regardless of amounts) using IRS Form 1042-S.
This policy requires faculty/department administrators responsible for and having custody over authorizing/disbursing payments to research subjects for their research study/projects to report payments made to individuals of $275.00 or more in any given calendar year to the University’s Central Finance department. This reporting threshold contemplates the possibility that an individual may participate in more than one research study at the University or otherwise receive other University payments (regardless of sources) in the same calendar year that in the aggregate are $600.00 or more and would require that the University issue a Form 1099-MISC (or Form 1042-S).

All payments made to any individual (regardless of purpose) must be supported by complete and relevant support documentation. However, documentation requirements may vary depending on the dollar thresholds or other circumstances in the particular situation. The University Finance Department considers the collection of name, address, telephone number, and signature to be an appropriate business practice that provides for identification of a recipient of University funds. SSNs are not required to be requested or retained for individual research subjects receiving payments below the $275.00-per-calendar year threshold or where the protocol makes the collection of this information impractical (i.e., anonymity, mailing survey). SSNs are required only for the completion of W-9 forms for tax reporting when payment thresholds are exceeded, as described below.

**Definitions:**

**Central Finance:** Within the University Controller organization, Central Finance includes the Accounts Payable department responsible for coordinating payment tax reporting to the IRS and to the individual.

**Division/departments:** References University department personnel directly engaged in making payments to research subjects. These personnel can be the Primary Investigator (PI) and/or other responsible administrative personnel for the research study.

**IRS:** Internal Revenue Service of the United States of America.

**Payment:** Normally, cash or a University check. Includes also “near cash” items such as gift cards and gift certificates.

**Research Subject:** An individual who participates as an experimental subject in a University research program.

**V. Related Policies**

Refer to the University’s “Finance Web Pages”:

- Taxable Payments to Individuals
- Petty Cash Policy
- Reimbursable Payments and Miscellaneous Expenses
VI. Delegation of Authority

The delegation of authority to disburse funds to otherwise qualified research participants is granted to the University division/departments. The divisions/departments thus authorized are responsible to control, account for, report to Central Finance, and to properly safeguard University assets (i.e., petty cash, gift cards/certificates).

VII. Responsibilities

Central Finance Department: For a single calendar year, the Central Finance Department is responsible for and required to report to the IRS and to the recipients (Form 1099-MISC) all payments made to individuals of $600.00 or more.

Faculty/Department administrator/cash disburser: The faculty/department person involved in disbursing payments to research subjects shall obtain and keep adequate records for audit and accounting purposes to support the use of the funds. Furthermore, if any research subject receives payments of $275.00 or more in any single calendar year from the research study, the faculty/department person shall collect information from the recipient (i.e., a Form W-9) and remit to Central Finance on or before December 31 of applicable calendar year for all payments made during the calendar year.

VIII. Payment Types

This section summarizes the various types and methods of payment and the related reporting of same:

Request for Payment (UR Form F-4): This University form is used to authorize and initiate payment to a research subject via a University check. See “Finance Forms, Request for Payments” Web page for completing the form and also minimum documentation requirements.

Cash (from petty cash): See “Finance Department, Petty Cash” Web page for policies on petty cash funds. Sufficient records should be maintained in support of the disbursement.

Gift cards/certificates: Gift cards/certificates are considered the equivalent of cash (“near-cash”) by the IRS. Therefore, the reporting requirements applied to the disbursements of these payment types are the same as cash payments.

Department checking account: In special (but rare) circumstances, the University’s Treasury Office will authorize a separate checking account to a department to permit the department to pay research subjects by departmental check rather than a University check. This usually involves an out-of-state study or one with many large payments. The department must meet Finance Department guidelines to control payments, reconcile the account, and report payments made in accordance with this policy.

IX. Documentation and Reporting Requirements:
**Required Documentation:** All cash payments (including gift cards/certificates) regardless of dollar amount must be documented for internal controls and audit trail purposes (and to protect the University employee disbursing these payments).

- **By the division/department.**

  For each individual research subject that meets the $275.00 payment threshold above, the department shall submit information to the Central Finance Department (Accounts Payable) including a completed Form W-9 and payment amounts on or before December 31 of the calendar year.

  It is the responsibility of the department to maintain a record of all payments/disbursements made to research subjects (i.e., a disbursement log, a spreadsheet, cash disbursements journal, etc.). This record should be reviewed/initialed periodically by the log-keeper’s supervisor (or primary investigator or other responsible person with financial ledger accounting responsibilities) as an added measure of internal control and oversight. Proper documentation includes any combination of the following: the recipient name, address, telephone number, signature acknowledging receipt of funds, or some type of information that makes an equivalent proof positive identification of the recipient of University funds. Social security number (SSN) of study subjects should not be retained at the division/department level for any reason. At the time that a study subject is about to receive a payment that would put the subject over the $275.00 annual reporting threshold, a W-9 should be completed and immediately forwarded to Central Finance for retention. No copy of the W-9 should be retained by the department.

- **By the research subject receiving payments.**

  When required, IRS Form W-9 – “Request for Taxpayer Identification Number and Certification”. This form requests their name, permanent home address, and taxpayer identification number (TIN – normally the research subject’s social security number), and signature. This form is to be completed by the research payment recipient at the time that aggregate protocol-specific payments to that recipient in any single calendar year meet or exceed $275.00. When a W-9 is completed, it should immediately be forwarded to Central Finance (along with other relevant information such as the total annual payment amounts).

- **By the Central Finance.**

  The University is required to report payments to the IRS of $600 or more made to any individual made in any calendar year. The University is required also to issue a Form 1099-MISC to each recipient for payments of $600.00 or more received during any single calendar year and in the aggregate from all University sources. The Central Finance Department will link individual payments from more than one department to the $600.00 reporting threshold for aggregate University reporting.

**X. Special Situations**
• From an income and tax reporting perspective, minor children (under age 18) may participate in research. If the child is the research participant, they should be paid in their own name. If the payments will exceed the $275 annual reporting threshold (and the child does not have a SSN), then the child’s parent or legal guardian can be paid instead, with all applicable documentation as necessary (including the parent/guardian SSN).

• Nonresident aliens should always have 30% tax withheld from their payments (and remitted to the IRS every month). Because of additional information and documentation reporting requirements for payments to nonresident aliens, it is recommended that all NRA’s be paid via University Request for Payment (Form F-4).

• For those limited protocols that provide for completely anonymous participation (e.g., the protocol is exempt from Institutional Review Board (IRB) review such as surveys or interviews or the IRB has permitted verbal consent), the following provision permits a modification/exception to the above documentation and reporting requirements for the division/department when disbursing cash to its study participants. To qualify for this exception, the department must have written approval/acknowledgement from the IRB (with a copy submitted to Central Finance at petty cash account inception or upon replenishment of the funds) and the governing research protocol must limit the maximum payments of University funds to each anonymous research subject to less than $75.00.

In these circumstances and for internal control purposes, the department must maintain some form of documentation in support of these payments to anonymous recipients. This provision contemplates that the department would not be required to maintain normal identifying information for cash payments to research subjects such as recipient name, address, telephone number, or signature of receipt. In the absence of normal subject-identifying information, it is essential that department/division records sufficiently document the completion of participation by the research subject, and the payment of University funds for that participation, per protocol. Examples of proper documentation alternatives would include a unique study-participant identifier specific to the recipient of University funds and a log maintained (or other suitable record) or in the case of mailed surveys that there are 20 surveys in support of 20 disbursements of cash. In all cases, this documentation/record should be reviewed and approved (e.g., initialed/signed) by the recordkeeper/dischurer’s supervisor (or primary investigator or other responsible person with accounting ledger responsibility for the study account).