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| APPROVED BY: |
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# Research Subjects Payments Policy

1. **Date of Initiation/Revision**

**Initiated:** June 1, 2008; **Revised:** May 1, 2009; **Revised:** July 1, 2022

# Policy Classification

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

# 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.

# 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 unless the recipient is a nonresident alien for tax purposes, in which case all amounts must be reported. The University must report to the recipient all payments made to them in any single calendar year that aggregate to $600.00 or more on IRS Form 1099 (for US citizens and permanent residents). For nonresident aliens, the University is required to report all 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 (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**: Preferred payment method is Advarra. See Payment Types for additional details, requirements, and conditions.

**Expense Reimbursement:** Payment to research subject/caregivers for documented, **actual** out-of-pocket expenses (e.g., transportation, parking, lodging, meals, etc.) incurred as a result of their study participation. Reimbursements that are substantiated with supporting documentation are not taxable and should not be included when computing if a person has reached the tax reporting threshold.

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

**TIN/SSN**: The Taxpayer Identification Number (TIN) is used by the IRS in the administration of tax laws. The Social Security Number (SSN) is assigned to US citizens and some residents of the US while an Individual Taxpayer Identification Number (ITIN) is assigned to others whose requests meet IRS criteria.

# Related Policies

Refer to the University’s Finance Web Pages:

* + [Payments to Foreign Nationals](https://www.wdev.rochester.edu/adminfinance/finance/wp-content/uploads/2019/08/Payments-to-Foreign-Nationals-081319.pdf)
  + [Petty Cash Policy](https://www.wdev.rochester.edu/adminfinance/finance/wp-content/uploads/2019/08/Petty_Cash_Policy_updated_2019_final_version.pdf)

# 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., Advarra payments, petty cash, gift cards/certificates).

# 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) all payments made to individuals of $600.00 or more (for US citizens and permanent residents). For nonresident aliens, the University is required to report all payments (regardless of amounts) using IRS Form 1042-S.

**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 immediately forward to Central Finance for retention. No copy of the W-9, which contains confidential personally identifiable information, should be retained by the department.

For payments to nonresident aliens, Accounts Payable must be notified once a participant is determined to be a nonresident alien or they do not provide a valid Form W-9 as required. If previously paid via Supplier Invoice Request (SIR), the questionnaire must be completed properly indicating the payee is an NRA. If not previously paid by SIR, all future payments must be made via SIR. The Supplier Request and SIR must indicate the study participant is a nonresident alien and the department must provide an FAO designated for incremental taxes, so that appropriate tax withholding can be completed. The FAO for incremental taxes must be an appropriate operating program, not the Grant for the study.

# Payment Types

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

**Advarra Participant Payment:** The University’s Advarra Participant Payment system (APP) is the **preferred** method for making payments to study participants/caregivers. APP facilitates three methods of payment: reloadable debit card, direct deposit to bank account, and paper check. Card initialization fee and subsequent reload fees are allowable as direct charges to the respective projects. An example of a fee that is not necessary or reasonable is the fee to replace a lost card. Visit the [Embark > Participant Payments site](https://sites.mc.rochester.edu/urmc-clinical-research/embark/participant-payments/) for more information.

**Supplier Invoice Request (SIR):** This University form is used to authorize and initiate payment to a research subject via a University check. See “Finance Forms, Payment Request” Web page for completing and minimum documentation requirements.

**Cash (from petty cash):** See the Petty Cash Policy for more information about 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. This payment type *should be limited to* studies where anonymity is permitted since for studies where payees are identified, the **Advarra Participant Payment** system provides more flexibility to the payee regarding how they receive payment.

**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.

# 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 payee information and payment amounts to the Central Finance Department (Accounts Payable) as soon as it is obtained or no later than 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 Accounts Payable for retention. No copy of the W-9 should be retained by the department.

For payments to nonresident aliens, Accounts Payable must be notified once a participant is determined to be a nonresident alien or they do not provide a valid Form W-9 as required. If previously paid via Supplier Invoice Request (SIR), the questionnaire must be completed properly indicating the payee is an NRA. If not previously paid by SIR, all future payments must be made via Supplier Invoice Request and the Supplier Request and SIR must indicate the study participant is a nonresident alien, and provide an FAO designated for incremental taxes, so that appropriate tax withholding can be completed.

# Special Situations

* + Participant is a minor child: 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 $275.00 annual reporting threshold (and the child does not have an SSN), then the child’s parent or legal guardian can be paid instead, with all applicable documentation as necessary (including the parent/guardian SSN).
  + Participant is a nonresident alien: When the payment recipient is a nonresident alien, the IRS has different tax reporting requirements.
  + Payments to nonresident aliens for studies conducted entirely outside of the US (online survey where non-US participants are targeted, researcher traveled outside of US to conduct surveys/research on participants) are exempt from IRS tax withholding. However, payments being made to individuals or entities outside the U.S. do require review and verification to ensure that financial assistance is not being provided to a blocked or sanctioned individual/entity.
  + Otherwise, all study participant payments to nonresident aliens require 30% to be withheld for taxes and remitted to the IRS at the end of the month. Therefore, once a study participant is identified to be a nonresident alien or does not provide a valid Form W-9 as required,
    - Accounts Payable must be notified
    - a Supplier Invoice Request must be utilized for subsequent payments, regardless of the prior payment mechanism, so that required taxes can be withheld
      * The Supplier Request, if needed, and SIR questionnaire must be completed properly indicating the payee is an NRA
    - a non-Grant FAO must be provided to charge taxes
  + Participant is anonymous: 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 up to $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/disburser’s supervisor (or primary investigator or other responsible person with accounting ledger responsibility for the study account).