

Independent Contractor Guidelines & Procedures



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1.0 Independent Contractor Guidelines & Procedures

This guideline governs the use of Independent Contractors to provide professional, technical, administrative, or unique services generally performed by individuals and sole proprietors for all Cal State LA and its Auxiliary Business Units. All Business Units must comply with State/Federal laws and CSU policies regarding the proper classification of employees and Independent Contractors. Misclassification of a worker as an independent contractor can result in serious wage and benefit obligations, financial penalties, tax consequences, and other liabilities. An independent contractor shall not be used to direct a University program or retained on an indefinite basis to perform tasks that would normally be assigned to an employee. As a rule, individuals should be classified as Independent Contractors on an exception basis only.

There are two methods for procuring independent contractor services:

1. Independent Contractor - Simple Service
2. Independent Contractor - Complex Service

1.1 Independent Contractor vs. Employee

A worker is presumed to be an employee unless the CSU establishes each of the following requirements:

1. The worker is free from the employer's control and direction. This means that the hiring entity must not be able to control or direct what the worker does, either by contract or in actual practice; and
2. The worker performs a service that is either outside the usual course of the business for which such service is performed or that such service is performed outside of all the places of business of the enterprise for which such service is performed. For example, a campus cannot hire a faculty in counseling to work as an independent contractor for the purposes of conflict resolution or hire instructors to teach a certificate program as independent contractors. Nor can a campus hire an independent contractor to perform IT services that are already being performed by campus staff; and
3. The worker customarily engages in an independently established trade, occupation, profession, or business. Factors relevant to this determination include whether the business is incorporated or licensed, whether the services are advertised, and whether the contractor also offers services to the public or other potential customers.

Misclassification of Workers – Violations and Penalties

It is important to determine the correct classification of workers as employees, independent contractors, or Honorarium. This distinction is significant because an incorrect determination could result in the following:

- Wage liability, including overtime
- Benefit liability, including retirement
- Loss of reimbursement under Federal contract and grant funds
- Penalties for violation of State and Federal tax withholding laws
- Penalties for violation of Federal laws pertaining to the employment of nonresident aliens (Form I-9)

In addition, the following employment-related requirements may be violated:

- State Political Reform Act financial conflict of interest rules
- Workers' compensation and unemployment insurance coverage requirements

Check Residency Status for Employment and Tax/Reporting Purposes

For all services performed in the U.S. by an "alien" (not a U.S. citizen or U.S. national), the individual must submit valid work authorization. To process payment, the contractor must have an Individual Taxpayer Identification Number (ITIN) or Social Security Number. To calculate the proper rate of withholding, determine whether the contractor is a nonresident or resident alien and country of origin. Foreigners without residency may pay the same

rates of US citizens, or 30% depending on type of income. A reduced rate or exemption may apply if there is a tax treaty. Note and track any restrictions on the length and frequency of work for these contractors.

Foreign National Residency Status – for Employment and Tax Purposes

Cal State LA and its Auxiliaries must determine residency status and/or Visa status prior to retaining an individual as an independent contractor. Failure to do so may result in the university being unable to legally procure services and pay the independent contractor.

Payment For Services

Payment for services may not be authorized unless the following conditions have been met:

- If the Honorarium does not have an active Payee Data Record Form on file, one must be completed before work commences and before payment can be issued. This form is mandatory for all suppliers paid by the campus.
- All required forms and/or documents have been received and approved.

Reportable Payments

The Accounts Payable office will issue Form 1099, as required by law, to any Honorarium receiving payment(s) from the campus totaling \$600.00 or more within a calendar year.

Payments of California source income to nonresidents of California, with certain limited exceptions, require seven (7) percent state income tax withholding on all payments that exceed \$1,500 in a calendar year. (See Revenue and Taxation Code Section 18662)

- California nonresident payees must complete Form 588, 589 or 587 to verify the proper withholding requirements.
- California resident payees must complete Form 590, Withholding Exemption Certificate, to verify California resident status. No state tax withholding is required with a valid withholding exemption certificate.
- Non-resident alien (NRA) Honorariums are handled on a case-by-case basis, as visa status and specific country treaties must be considered to determine tax withholding percentages.

2.0 Independent Contractor – Simple Service

Below provides the criteria you need to know if the prospective individual qualifies as a **Simple Service** Independent Contractor. If prospective individual does not meet established criteria, see guidelines for Independent Contractor – Complex Service for processing.

2.1 Criteria

The answer to ALL the following criteria must be "Yes". If not, see the Independent Contractor Complex service.

1. The service rendered is a performer or speaker either in-person or via Zoom/virtual (i.e., solo musician, guest model, guest judge, etc.) and is not participating in a *High-risk event.
2. The individual is not a current CSU employee, State of California employee, or a retired annuitant.
3. The individual is eligible to work in the United States.
4. The payment is less than \$2,500 per service and less than \$2,500 per fiscal year (July 1 - June 30).
5. A single engagement is less than five (5) days, and cumulatively across all campus departments less than five (5) days per fiscal year.
6. The individual will not work directly with minors.
7. The individual is not a food supplier/vendor.
8. The individual does not require the execution of their own contract.
9. The individual is not doing any type of repair work on or off campus facilities.
10. Does not meet the Honorarium Criteria.

- NOTE: *High-risk events - If the performer/speaker has a history of or likely potential for crowd control concerns, the Independent Contractor - Complex Service Process must be used.

2.2 Examples of Simple Service

- DJs, musicians, singers, instrumentalists
- Performer
- Referee (no minors involved)
- Speakers – live or online platform

2.3 Processes/Routing

- Step 1: Requester reviews Independent Contractor – Simple Service criteria to ensure individual meets qualifications.
- Step 2: Requester completes and routes the Independent Contractor – Simple Service Agreement form and a Payee Data Record (if IC is a new Supplier) to the Independent Contractor.
- Step 3: Independent Contractor accepts and signs the Independent Contractor – Simple Service Agreement.
- Step 4: Requester routes the Independent Contractor – Simple Service Agreement for DOA (level ≥4) approver's signature. **Approval must be dated prior to the services being performed.**
- Step 5: After services have been rendered, requester submits a completed Independent Contractor – Simple Service Agreement form along with an Invoice and Direct Payment Request (DPR) to Accounts Payable.
- Step 6: Payment is issued.

2.4 Areas of Responsibility

- Requester
 - Reviews criteria to ensure that individual meets qualifications.
 - Completes and routes Independent Contractor – Simple Service Offer Letter.
 - If IC is a new supplier, routes Payee Data Record to IC for completion.
 - After services have been rendered, submit a completed Independent Contractor – Simple Service Agreement form along with an invoice and Direct Payment Request (DPR) to Accounts Payable.
- Delegation of Authority (DOA) Approver

- Verifies and approves the request. DOA approval must be dated prior to the services being performed.
- One Stop Financial Services
 - Supplier creation.
- Accounts Payable
 - Validating and enforcing compliance and issues payment.

2.5 GL Account Code

- 613001 - Contractual Services
- 613002 - Temporary Help Services
- 613805 - Special Lecture
- 660850 - Guest Artists

2.6 Forms

- [Independent Contractor – Simple Service form through Adobe Sign Power Form](#)
- [Direct Payment Request](#) or [UAS Check Request Form](#)

3.0 Independent Contractor – Complex Service

Independent Contractor – Complex Service are requests not meeting the Simple Service & Honorarium criteria. These requests are processed through the Independent Contractor – Complex Service Form via a requisition, where requests will be vetted by One Stop Financial Services, Accounts Payable, Risk Management (RMEHS), and Procurement & Contracts.

3.1 Criteria:

The answer to ALL the following criteria must be “Yes”.

- The individual is not a current CSU employee, State of California employee, or retired annuitant.
- DOES NOT meet the Independent Contractor – Simple Service Criteria.
- DOES NOT meet the Honorarium Criteria.

3.2 Examples of Complex Service

- Dance Groups
- Musical Theatre Performances or Plays
- Performances/Services involving aerial works, acrobatic works, special equipment, electrical and/or mechanical devices, fire, and/or water
- Grant writers, editors, internet website writers, and curriculum program consultants
- Coaching (athletics)
- Referee/Coaching/Teaching with minors
- Any involvement with minors
- Decorator for an event; balloonist
- Food Vendors, catering companies/trucks
- Carnival rides, including mechanical rides, zip-lines
- Hearing officers, background investigators, compliance officers, auditors, and accountants
- Electricians, plumbers, elevator operators, artwork installers, piano tuners, and vendors that provide general equipment repairs
- IT professionals, doctors, nurses, psychologists, lawyers, counselors, blood banks, massage therapists, physical therapists, athletics trainers, contractors, compliance (general contractors for construction or environmental consultants), consultants

*Eligibility for Independent Contractors – Complex Service processing is not limited to the examples above; processing is determined upon departmental review.

3.3 Procedure / Process

Because several offices are involved in the review and approval of a contract for independent services, the steps described below must be taken before an agreement will be approved by the University.

- Step 1: Obtain Form from One Stop Financial Services via Adobe Sign link.
- Step 2: Independent Contractor (IC) Form is completed by the requesting department. If available include Certificate of Insurance.
- Step 3: If IC is a new supplier, Requester completes and routes Payee Data Record to Independent Contractor.
- Step 4: Create a Requisition via the Purchasing module and upload the IC form. I
- Step 5: IC Requestor sends email notification to One-Stop Financial Services.
- Step 6: One Stop Financial Services reviews IC form. (If the IC form requires corrections, the department/Requester will be notified to correct the IC form and the process will revert to Step 2.)
- Step 7: Notification is sent to the Controller's Office to review the IC form. (If the IC form requires corrections, One Stop Financial services will be notified, and the process will revert to Step 5.)
- Step 8: Notification is sent to Risk Management (RMEHS) to review the IC form. (If the IC form requires corrections, One Stop Financial Services will be notified, and the process will revert to Step 5.)

- Step 9: Notification is sent to Procurement & Contracts to review IC requisition.
- Step 10: Procurement issues PO
- Step 11: After services have been rendered, Department submits invoice to Accounts Payable.
- Step 12: Payment is issued.

3.4 Areas of Responsibility

- Requester
 - Obtains form from One Stop Financial Services via Adobe Sign link.
 - Completes form, includes certificate of insurance, if available.
 - If the IC is a new supplier, complete and route Payee Data Record to Independent Contractor.
 - Creates a requisition via Purchasing module, include IC form. Notifies One Stop upon completion and approval.
- One Stop Financial Services
 - Reviews the IC form.
 - If IC form requires corrections, the department/requestor will be notified, and process will revert.
 - Upon approval, notification is sent to Controller's Office.
- Controller's Office - Tax
 - Reviews the IC form after One Stop Financial Services approves.
 - If the IC form requires corrections, One Stop Financial Services will be notified, and process will revert.
 - Upon approval, notification is sent to Risk Management.
- Risk Management
 - Reviews the IC form.
 - If the IC form requires corrections, One Stop Financial Services will be notified, and process will revert.
 - Upon approval, notification is sent to Procurement & Contracts.
- Procurement & Contracts
 - Reviews of IC requisition.
 - Issues Purchase Order (PO).
- Accounts Payable
 - Validating and enforcing compliance and issues payment.

3.5 PO Category Codes and GL Accounts to use

PO Category Codes	GL Account Codes
<ul style="list-style-type: none"> • 96200 – Service-Miscellaneous • 96109 – Internships 	<ul style="list-style-type: none"> • 613001 – Contractual Services
<ul style="list-style-type: none"> • 96101 – Service-Temp Help Svcs 	<ul style="list-style-type: none"> • 613002 – Temporary Help Services
<ul style="list-style-type: none"> • 92403 – Special Lecture 	<ul style="list-style-type: none"> • 613805 – Special Lecture
<ul style="list-style-type: none"> • 92401 – Guest Artists 	<ul style="list-style-type: none"> • 660850 – Guest Artists

3.6 Forms

1. Independent Contractor – Complex Service through Adobe Sign Power Form
2. Requisition

4.0 Appendix: Independent Contractor & Honorarium Matrix

	Independent Contractor		Honorarium		
	Independent Contractor - Simple Service	Independent Contractor - Complex Service	Honorarium		
Criteria	<p>The answer to ALL the following criteria must be "Yes". If not, see the Complex Services category.</p> <p>1. The service rendered is a performer or speaker either in-person or via Zoom/virtual (i.e. solo musician, guest model, guest judge, etc) and is not participating in a *High-risk event.</p> <p>2. The individual is not a current CSU employee, State of California employee, or a retired annuitant.</p> <p>3. The individual is eligible to work in the United States.</p> <p>4. The payment is less than \$2,500 per service and less than \$2,500 per fiscal year (July 1 - June 30).</p> <p>5. A single engagement is less than five (5) days, and cumulatively across all campus departments less than five (5) days per fiscal year.</p> <p>6. The individual will not work directly with minors.</p> <p>7. The individual is not a food supplier/vendor.</p> <p>8. The individual does not require the execution of their own contract.</p> <p>9. The individual is not doing any type of repair work on or off campus facilities.</p> <p>10. Does not meet the Honorarium Criteria.</p> <p>NOTE: *High-risk events - If the performer/speaker has a history of or likely potential for crowd control concerns, the Independent Contractor - Complex Service Process must be used.</p>	<p>The answer to ALL the following criteria must be "Yes".</p> <p>1. The individual is not a current CSU employee, State of California employee, or retired annuitant.</p> <p>2. Does not meet the Independent Contractor - Simple Service Criteria.</p> <p>3. Does not meet the Honorarium Criteria.</p>	<p>The answer to ALL the following criteria must be "Yes". If not, see the Independent Contractor Simple or Complex Service Categories.</p> <p>1. The individual will only participate as an Honoraria in a singular university function/activity.</p> <p>2. The individual will not work directly with minors.</p> <p>3. The individual is not a current CSU employee, State of California employee, or a retired annuitant.</p> <p>4. The individual is eligible to work in the United States.</p> <p>5. The honorarium payment is less than \$600 per fiscal year.</p> <p>6. The honorarium payment is not being made out to a company or organization.</p> <p>7. There is no payment and/or compensation that has been agreed upon for participation as Honoraria.</p> <p>8. There is no invoice and/or agreement required for participation as an Honoraria.</p> <p>9. The individual does not have a prior existing personal relationship with the organizer of the function/activity.</p> <p>10. The individual is not participating in a *High-risk event.</p> <p>NOTE: *High-risk events - If the performer/speaker has a history of or likely potential for crowd control concerns, the Independent Contractor - Complex Service Process must be used.</p>		
Process	<ul style="list-style-type: none">• Step 1: Requester reviews Independent Contractor – Simple Service criteria to ensure individual meets qualifications• Step 2: Requester completes and routes the Independent Contractor – Simple Service Offer Letter and a Payee Data Record (if IC is a new Supplier) to the Independent Contractor.• Step 3: Independent Contractor accepts and signs the Independent Contractor – Simple Service Agreement form.• Step 4: Requester routes the Independent Contractor – Simple Service Agreement for DOA (level ≥4) approver's signature. Approval must be dated prior to the services being performed.• Step 5: After services have been rendered, Requester submits a completed Independent Contractor – Simple Service Agreement form along with an Invoice and a Direct Payment Request (DPR) to Accounts Payable.• Step 6: Payment is issued.	<ul style="list-style-type: none">• Step 1: Obtain Form from One Stop Financial Services via Adobe Sign link.• Step 2: Independent Contractor (IC) Form is completed by the requesting department. If available include Certificate of Insurance.• Step 3: If IC is a new supplier, Requester completes and routes Payee Data Record to Independent Contractor.• Step 4: Create a Requisition via the Purchasing module and upload the IC form.• Step 5: IC Requestor sends email notification to One-Stop Financial Services.• Step 6: One Stop Financial Services reviews IC form. (If the IC form requires corrections, the department/Requester will be notified to correct the IC form and the process will revert to Step 2.)• Step 7: Notification is sent to the Controllers Office to review the IC form. (If the IC form requires corrections, One Stop Financial services will be notified, and the process will revert to Step 5.)• Step 8: Notification is sent to Risk Management (RMEHS) to review the IC form. (If the IC form requires corrections, One Stop Financial Services will be notified, and the process will revert to Step 5.)• Step 9: Notification is sent to Procurement & Contracts to review IC requisition.• Step 10: Procurement issues PO• Step 11: After services have been rendered, Department submits invoice to Accounts Payable.• Step 12: Payment is issued.	<ul style="list-style-type: none">• Step 1: Requester reviews Honorarium criteria to ensure individual meets qualifications.• Step 2: Requester completes Honorarium Request Form and routes for DOA (level ≥4) approver's signature.• Step 3: Requester routes Payee Data Record to Honorarium.• Step 4: DOA approves Honorarium Request Form. Approval must be dated prior to the services being performed.• Step 5: Requester submits Honorarium Request Form along with a Direct Payment Request (DPR) to Accounts Payable.• Step 6: Payment is issued.		
Forms	<ul style="list-style-type: none">• Independent Contractor – Simple Service Offer Letter through Adobe Sign Power Form• Direct Payment Request (DPR)/Payment Request	<ul style="list-style-type: none">• Independent Contractor through Adobe Sign Power Form• Requisition• Direct Payment Request (DPR)/Payment Request	<ul style="list-style-type: none">• Honorarium Request Form through Adobe Sign Power Form• Direct Payment Request (DPR)/Payment Request		
GL Account/ PO Category Code	<p><u>Account</u></p> <p>613001 - Contractual Services</p> <p>613002 - Temporary Help Services</p> <p>613805 - Special Lecture</p> <p>660850 - Guest Artists</p>	<table><tr><td><p><u>Account</u></p><p>613001 – Contractual Services</p><p>613002 - Temporary Help Services</p><p>613805 - Special Lecture</p><p>660850 - Guest Artists</p></td><td><p><u>PO Category Code</u></p><p>96200 - Service-Miscellaneous</p><p>96109 - Internships</p><p>96101 - Service-Temp Help Svcs</p><p>92403 - Special Lecture</p><p>92401 - Guest Artist</p></td></tr></table>	<p><u>Account</u></p> <p>613001 – Contractual Services</p> <p>613002 - Temporary Help Services</p> <p>613805 - Special Lecture</p> <p>660850 - Guest Artists</p>	<p><u>PO Category Code</u></p> <p>96200 - Service-Miscellaneous</p> <p>96109 - Internships</p> <p>96101 - Service-Temp Help Svcs</p> <p>92403 - Special Lecture</p> <p>92401 - Guest Artist</p>	<p><u>Account</u></p> <p>660849 - Honorarium</p>
<p><u>Account</u></p> <p>613001 – Contractual Services</p> <p>613002 - Temporary Help Services</p> <p>613805 - Special Lecture</p> <p>660850 - Guest Artists</p>	<p><u>PO Category Code</u></p> <p>96200 - Service-Miscellaneous</p> <p>96109 - Internships</p> <p>96101 - Service-Temp Help Svcs</p> <p>92403 - Special Lecture</p> <p>92401 - Guest Artist</p>				