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| POLICY TITLE | Independent Contractors | Policy Number | 210 |
| Section | Financial Affairs and Development | Approval Date | October 10, 2007 |
| Subsection | General Financial Policies | Effective Date | October 10, 2007 |
| Responsible Office | Office of the Vice President of Finance and Administration | | |

1.0 PURPOSE

1.1 To ensure that payments for compensation of services by individuals outside of payroll are handled in a manner consistent with Internal Revenue Service's (IRS) guidelines to avoid misclassification, resulting in additional taxes and penalties imposed on the University.

2.0 REFERENCES

3.0 DEFINITIONS

3.1 Employee relationship: An employee relationship exists when the University can supervise and control the way the work is performed, as well as the result of the service.

3.2 Form 1099-misc.: A year-end form given to an entity (individual, business, or company) showing total payment amounts for goods and services. No taxes are usually withheld. These total payment amounts are paid through the Accounts Payable Office.

3.3 Form W-2: A year-end IRS form provided to an employee showing total amounts earned and tax withholding. These total amounts are paid through the payroll process.

3.4 Form W-9: An IRS form requesting name, address, entity type (individual, partnership, corporation, etc.), taxpayer ID number, and a signature certifying that the information is correct and that the entity is not subject to backup withholding. This form, or an approved substitute form, is required for all independent contractor payments.

3.5 Independent contractor relationship: An independent contractor relationship exists when the University can only exercise its right as to the result of service, not how or by whom the work is performed.

3.6 University: The "University" throughout this document is Utah Valley University.



4.0 POLICY

4.1 The University complies with governmental regulations for reporting of payments made to independent contractors through a proper classification of employees and independent contractors. The University's classification is subject to final determination by the appropriate governmental agency.

5.0 PROCEDURES

5.1 "To determine whether a worker is an independent contractor or an employee under common law, you must examine the relationship between the worker and the business. All evidence of control and independence in this relationship should be considered. The facts that provide this evidence fall into three categories – Behavioral Control, Financial Control, and the Type of Relationship itself (IRS, Topic 762, Independent Contractor vs. Employee):

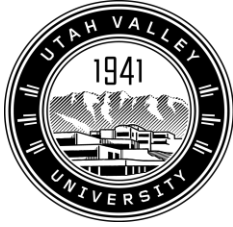
5.1.1 Behavioral Control covers facts that show whether the University has a right to direct or control how the work is done through instructions, training, or other means.

5.1.2 Financial Control covers facts that show whether the University has a right to direct or control the financial and business aspects of the worker's job. This includes:

- 1) The extent to which the worker has unreimbursed business expenses,
- 2) The extent of the worker's investment in the facilities used in performing services,
- 3) The extent to which the worker makes his or her services available to the relevant market,
- 4) How the business pays the worker, and
- 5) The extent to which the worker can realize a profit or incur a loss.

5.1.3 Type of Relationship covers facts that show how the parties perceive their relationship. This includes:

- 1) Written contracts describing the relationship the parties intended to create,
- 2) The extent to which the worker is available to perform services for other similar businesses,
- 3) Whether the University provides the worker with employee-type benefits, such as insurance, pension plan, vacation pay, or sick pay.



4) The permanency of the relationship, and

5) The extent to which services performed by the worker are a key aspect of the regular business of the company.

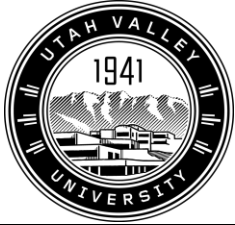
5.1.4 All proposed payments to individuals representing compensation for service should be compared to the IRS classification criteria above for classifying an individual as an employee or independent contractor and with this policy statement. Please see the reverse side of the *Independent Contractor Request for Payment Form* for the IRS classification criteria checklist. Responses to these criteria will be used by the Business Office and/or Human Resources in classifying employee or independent contractor status.

5.1.5 For those workers considered to be independent contractors, a written contract between the University and the worker should be in place listing specific projects or services the individual will perform. The contract should also specifically note that this worker is considered independent (not deemed to be an employee after completing the IRS classification criteria) and will not receive any employee benefits and that no tax withholding will be made on behalf of this worker. An independent contractor's contract form is available on the University's web. Any worker, deemed to be an independent contractor, will be responsible for all taxes including self-employment tax. No part of this tax will be matched by the University.

5.1.6 These necessary procedures in section 5.1.3, 2 and 3, must be followed before any services are rendered or payment and/or other consideration are made to the individual.

5.1.7 Independent Contractor—Once an individual is properly classified as independent, the *Independent Contractor Request for Payment Form* can be completed and approved and forwarded to Accounts Payable for payment along with a copy of the written contract. Second-level supervisor approval is required for payments of \$1,000 or more. This form includes a substitute IRS Form W-9 requesting a taxpayer identification number and certification. An independent contractor will receive IRS Form 1099-misc for aggregate annual payments of \$600 or more by January 31 of the following calendar year.

| POLICY HISTORY | | |
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| Date of Last Action | Action Taken | Authorizing Entity |
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UTAH VALLEY UNIVERSITY

Policies and Procedures

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5.1.8 Employee—Payments for services to individuals not deemed to be an independent contractor should be paid through Payroll. Short-term and temporary work assignments for an individual deemed to be an employee should be processed through Human Resources and paid through Payroll under established guidelines or hired through an outside temporary agency. All employees annually receive IRS Form W-2 by January 31 of the following calendar year, showing gross wages and tax withholdings.