



## Independent Contractor (IC) Process:

### STARTING THE PROCESS

1.-Prepare and submit workers classification form to Accounts Payable to confirm and/or determine the worker classification.

<https://www.luc.edu/finance/forms>

Worker classification is important because it determines if Loyola must withhold income taxes and pay Social Security, Medicare taxes and unemployment tax on wages paid to an employee. Normally, We do not have to withhold or pay any taxes on payments to independent contractors. The earnings of a person working as an independent contractor are subject to self-employment tax.

The general rule is that an individual is an independent contractor if the Loyola's Principal Investigator (PI) has the right to control or direct **only the result** of the work, **not what** will be done and **how it** will be done.

For the above reasons, the university needs to ensure that the correct designation for the individual to be paid is that, of an IC and not an employee.

2.-If amount to be paid is or **over \$5,000** you are required to prepare and submit the Purchasing checklist and Bidding form. The form and instructions can be found here: <https://www.luc.edu/purchasing/resources/purchasingchecklistinstructions>. Please feel free to contact Purchasing for further assistance with this form.

### IN BOTH CASES:

3.-Contact the Research Admin assigned to your unit to assist with the IC agreement preparation. The Agreement needs to sign by the IC and ORS authorized signing official – not the Principal investigator.

### A.-NAME AND ADDRESS OF IF EACH OF THE IC'S TO BE PAID.- IF FEIN IS AVAILABLE, PLEASE PROVIDE.

NAME;

ADDRESS:

CITY, STATE

TELEPHONE

EMAIL

### B.-START AND END DATE FOR THE SERVICES TO BE PERFORMED

*Cannot start before the Award period LUC has received, nor go beyond the end date (budget period).*

### C.-AMOUNT TO BE PAID TO EACH OF THE CONSULTANTS.

Needs to be in the approved budget.

### D.-BRIEF AND CONCISE SCOPE OF SERVICES THAT THEY WILL PROVIDE:

a) *Why are we paying them?*

b) *What will they be doing?*

c) *Is there any type of report or other deliverable that the PI (Principal Investigator) requires? If so, frequency?*

### E. - PAYMENT SCHEDULE.

*What was the basis in determining the amount to be paid? (Hourly-day rate, fair market value, etc.)*

*Depending upon the length of the IC agreement, the payment schedule can be either a scheduled payment with a set amount, or monthly invoicing. Last and final payment should be made upon receipt and approval of the deliverable (s)-or at the end of the award period granted by our sponsor.*

*Make sure to establish the maximum amount to be paid each period; can be less, but not more. E.g. Maximum amount to be paid from this agreement is \$5,000 (50 hours at \$100 per hour), If the IC only worked 45- then we will pay him/her \$4500 and not \$5000-less than the max amount, never more.*

*Another possibility is, if it's a workshop with a one-time payment at the end of the workshop/deliverable.*

FOR FURTHER INFORMATION, PLEASE SEE THE FOLLOWING LINK:

<http://www.luc.edu/ors/payingindividuals.shtml>