

Procedure 23715c: Selecting and Paying Human Subject Participants

Research project results are often dependent on utilization of human subjects for testing, tasting, reacting, dieting, exercising, responding to various stimuli, etc. As an incentive to encourage participation in the research, some grants provide funds for payments to the human subjects. These payments may be monetary (cash or gift cards) or non-monetary (VT logo items, etc.). The Internal Revenue Service (IRS) considers any payments made to individuals to be taxable; gift cards are viewed as a cash equivalent.

Gift card stock purchased must be a valid expenditure against the grant. The inventory of gift cards must be adequately controlled, issued, and accounted for. Gift cards cannot be purchased by using the P-card or the HokieMart because documentation of who the gift cards were disbursed to must be available prior to charging a grant fund. The procedure in place to accommodate the purchase of gift cards is to open a petty cash disbursement fund through the Bursar's Office. As the cards are used, the fund may be replenished by following the instructions under the heading below titled **"Department responsibilities when the faculty member secures an Accounts Receivable loan from the Bursar's Office or uses personal funds"**.

When such payments are made, the disbursements are handled as payments to independent contractors (<http://www.co.vt.edu/procedures/p23715.html>), not payments to employees for work performed. Human subjects are not paid as employees since the service provided is outside the scope of their normal job responsibilities within the University. All human subject payments are potentially taxable to the recipient, so tax reporting information will be required.

Selection of Human Subjects

Participants may be:

- 1) Full and part time employees of the university.
- 2) Full and part-time students of the university
 - a. It has been determined by the Research Division and Designated School Officials for graduate and undergraduate students, that the eligibility for all students to participate in research studies is an integral part of the student experience. This includes students of all ethnic groups and citizenship categories. If participants are not US Citizens or Resident Aliens please use caution to ensure that immigration regulations are not violated. Please contact the International Tax Specialist (in Payroll @ 231-5201) if you have questions regarding participation of a non-resident.
 - b. Students who are on financial aid assistance.
- 3) Non-university affiliated individuals.

Participants may NOT be:

- 1) Employees, graduate students, or undergraduate students who are funded by the research grant to which the human subject payments will be charged as this is a conflict of interest. Departments should confirm appropriate usage of research funds.

Payment to Human Subjects

Department responsibilities when payments are made via Virginia Tech check or direct deposit.

- 1) The department should obtain approval from the Institutional Review Board (IRB). (Sponsored Programs procedures should be followed.)
- 2) Select participants in accordance with this procedure.
- 3) Contact the Controller's Office for guidance if questions arise related to making the payment or the eligibility of the subject to participate.
- 4) Secure a completed copy of one of the following IRS forms when value of items exceed \$75
 - a. W-9 (for US tax residents which include US citizens, permanent residents, and US "residents for tax purposes only") from non-employees. This form must include the person's social security number. (Employees do not need to complete a W-9 form.)
 - b. W-8BEN form for all non-US tax residents.
 - c. Foreign National Data Form – for all non resident aliens
- 5) Provide a letter to each participant explaining that any payments and/or gift cards and/or items exceeding \$75 in value received is considered taxable to them.
 - a. If the participant is a US tax resident, and payments are \$600 or greater in any one calendar year, the university is required to file a 1099 form with the IRS. For amounts less than \$600, the individual is responsible for reporting the additional income but the university does not file 1099 tax forms with the IRS.
 - b. If the participant is a non-resident for tax purposes, the payment (or item) is likely taxable at a rate of 30% (withholding should occur at the time of payment). A Form 1042S will be issued and all payments reported to the IRS.
- 6) Enter a purchase requisition in HokieMart ensuring the applicable Banner fund and account 14137. Forward the documentation to the Controller's Office. Include a memo that briefly describes the nature of the program, the time-period covered by the payments, and the amount of the payments.

- 7) Attach a spreadsheet including, the amount of the payment, the participant names, addresses, Tech ID number as applicable, and W-9 or W-8BEN forms
- 8) Sign the participants up for Accounts Payable direct deposit if two or more payments are to be made and they are not already on direct deposit.
- 9) Keep all disbursement records for a minimum of 7 years. The department copy of these disbursements must be kept to support tax reporting requirements and other legal matters.

Department responsibilities when the faculty member secures an Accounts Receivable loan from the Bursar's Office or uses personal funds.

- 1) The department should obtain approval from the Institutional Review Board (IRB). (Sponsored Programs procedures should be followed.)
- 2) Select participants in accordance with this procedure.
- 3) Contact the Controller's Office for guidance if questions arise related to making the payment or the eligibility of the subject to participate.
- 4) Secure a completed copy of one of the following IRS forms when value of items exceed \$75 (\$75 current VT de minimis value for tangible goods)):
- 5) W-9 (for US tax residents which include US citizens, permanent residents, and US "residents for tax purposes only") from non-employees. This form must include the person's social security number. (Employees do not need to complete a W-9 form.)
- 6) W-8BEN form for all non-US tax residents.
- 7) Foreign National Data Form – for all non resident aliens
- 8) Faculty member secures a disbursement loan from the Bursar or uses personal funds.
- 9) In cases involving confidentiality of participants, the department must provide an internal control plan to account for and audit disbursement records. This alternative plan must be approved by the Manager of Accounts Payable before being used. An approved copy should be kept on file in the department and submitted with the payment request.
- 10) Faculty member makes disbursements and secures receipt documentation from the human subject participants.
- 11) Provide a letter to each participant explaining that any payments and/or gift cards and/or items exceeding \$75 in value received is considered taxable to them.
 - a. If the participant is a US tax resident, and payments are \$600 or greater in any one calendar year, the university is required to file a 1099 form with the IRS. For amounts

less than \$600, the individual is responsible for reporting the additional income but the university does not file 1099 tax forms with the IRS.

- b. If the participant is a non-resident for tax purposes, the payment (or item) is likely taxable at a rate of 30% (withholding should occur at the time of payment). A Form 1042S will be issued and all payments and withholdings reported to the IRS.
- 12) Complete either a reimbursement request form in HokieMart or a DOPP form as appropriate.
- a. Reimbursement Request Form: Completed when requesting reimbursement for a faculty member. Ensure the applicable Banner fund and account 14137. Forward the documentation to the Controller's Office. Include a memo that briefly describes the nature of the program, the time-period covered by the payments, and the amount of the payments.
 - b. DOPP: Completed when requesting payment against an Accounts Receivable loan from the Bursar. Ensure the applicable Banner fund and account 14137. Forward the documentation to the Controller's Office. Include a memo that briefly describes the nature of the program, the time-period covered by the payments, and the amount of the payments.
 - i. The DOPP will be reviewed and approved, and sent to the Bursar for a journal entry to be processed to charge the grant and credit the faculty member's disbursement loan.
 - c. Forward a document bearing the signatures of the participants whereby they acknowledge receiving the payments from the department/faculty member to the Controller's Office. For departments that have an approved alternative plan, attach the necessary receipt and/or check numbers to document expenditures.
 - d. When total payments to an individual are \$600 or greater during any one calendar year, it is the department's responsibility to provide the participants names, addresses, W-9 / W-8BEN form , the Virginia Tech id number and the total amount paid to the Controller's Office for posting in the 1099 records.
 - e. Keep all disbursement records for a minimum of 7 years. The department copy of these disbursements must be kept to support tax reporting requirements and other legal matters.

Controller's Office Responsibilities

- 1) Review the payment documents for completeness, supporting documentation, including tax forms for individuals.
- 2) Process the payment to the human subjects, repayment of the Accounts Receivable Loan, or reimbursement to the faculty member in accordance with the purchase order or DOPP.

- 3) Issue checks or direct deposits to the recipients.
- 4) Apply the appropriate tax withholding when applicable. Record and submit payment and tax information to the IRS via 1099/1042S forms when applicable.
- 5) The Manager of Accounts Payable will review and approve alternative internal control plans in advance when confidentiality prohibits sharing of personal data.