

Independent Contractor Procedures and Guidelines

Johns Hopkins University

Effective January 1, 2007

Statement

The Independent Contractor procedures and guidelines provide faculty and staff with information regarding Independent Contractor status and the processing of requests to engage an Independent Contractor. To comply with tax rules and governmental regulations, it is necessary to review specific information concerning the work to be done and the worker to be engaged. This document provides relevant accountability information based on requirements of the Internal Revenue Service (IRS) and guides the user through the University approval process. There is assistance to administration to identify the appropriate classification for workers who render services or provide professional advice. Appropriately identifying an Independent Contractor will not only satisfy the IRS requirements but also serve the University and the Independent Contractor in the event there is an audit.

Note: A worker should not perform work for the University until the Independent Contractor status has been formally approved.

Background

The procurement of services requires an evaluation of the work and the worker to determine whether both meet the Independent Contractor requirements. The evaluations must be performed before engaging an individual or entity to perform services and before any services begin.

Appropriately classifying a worker as an Independent Contractor requires that Johns Hopkins University (JHU) and the worker observe and follow IRS regulations. Increasingly, the IRS has been conducting audits and imposing severe fines on both Independent Contractors and their clients when a worker has been misidentified as an Independent Contractor. Improper classification of Independent Contractors places the University at risk and may be subject to an audit by the IRS, Department of Labor, Social Security Administration, and/or State Workers' Compensation.

The common risks associated with incorrectly classifying a worker as an Independent Contractor are:

- Penalties assessed by the IRS and state taxing authorities for failure to withhold FICA taxes, federal income taxes and state and local income taxes.
- Penalties assessed by state unemployment agencies and workers' compensation boards.
- Penalties assessed by Department of Labor and other agencies

- Lawsuits filed by independent contractors asserting negligence for injuries, contract disputes, etc.

No worker should be paid or treated as an independent contractor by JHU unless there is both factual support and documentation for that status. Proper identification and payment of a worker as an independent contractor is required to assure compliance with federal and state laws.

Procedures

Work and Worker Review for Approval

Requisitioning for an Independent Contractor includes review and approval of the work to be performed and the eligibility of the worker to be an Independent Contractor. The analysis of the work to be completed and the worker's eligibility is based upon IRS regulations.

To collect information two new forms have been introduced:

1. Independent Contractor Position Information form -this form is completed by the department and identifies the work to be completed by the worker and contains questions that are used to determine if the worker is an Independent Contractor or if another form of employment should be used.
2. Independent Contractor Information form -this form is completed by the worker and contains questions based on education, experience and job qualifications of the Independent Contractor, as well as questions about their business and tax information.

These forms can be found on the HR website at <http://www.jhu.edu/~hr1/>. Click on HR Departments and select Independent Contractor.

The completed forms with attached resume should be forwarded to: Pamela Weissman at pweissm1@jhu.edu or can be faxed to: 410-516-7242.

After review and approval, the department contact will be notified by email of the results. Upon receipt of the approval, proceed with SAP processing. The email that includes approval of the work to be performed and the worker's eligibility will be needed when processing the shopping cart (see SAP Processing below).

Work must not begin until these forms have been filled out and approval has been received by the Department.

Note: In the event that a Master Consulting Service Agreement or an Independent Computer Technology Services Agreement must be completed, the department contact will be notified.

SAP Processing

- A. Create a position if SAP access is required - the department is required to complete a "Create Position" Internal Service Request (ISR) if the worker needs to have SAP access.
 - 1. Complete the "Create Position" ISR. The position number is used in the Mini-Master Independent Contractor Internal Service Request when hiring the worker.
 - 2. Approver 1 will review, approve and forward to Human Resources Shared Services where a position will be established.
 - 3. The department contact will be notified when the position is established.

- B. Hiring process (required for each Independent Contractor Engagement)
 - 1. Complete Mini-Master Independent Contractor Internal Service Request (ISR).
 - 2. Approver 1 will review, approve and forward to approver 2 (Pamela Weissman).
 - 3. Approver 2 will approve and forward to Human Resources Shared Services.
 - 4. The information will be processed, the Independent Contractor will be added to the vendor master list and the department will be notified.
 - 5. The department initiator must then submit an SAP shopping cart to Supply Chain Shared Services to initiate the purchase of service. A completed B-33 form, which can be found at: http://www.controller.jhu.edu/uforms/b33_1.pdf, and the email with the approval that the duties to be performed and the worker's eligibility meet the Independent Contractor requirements are to be attached. On the attachments, insert the shopping cart number.
 - 6. Supplied Chain Shared Services will sign the B-33 and issue a purchase order.

IMPORTANT: It is important that the procedures be followed. Failure to do so may result in the payment to the worker (vendor) being delayed.

