



TEXAS TECH UNIVERSITY™

Operating Policy and Procedure

OP 62.25: Payments to Research Participants

DATE: October 13, 2011

PURPOSE: The purpose of this Operating Policy/Procedure (OP) is to establish procedures for payments made by Texas Tech University (TTU) to individuals involved in research projects, surveys, or studies and to ensure compliance with federal income tax withholding requirements and proper reporting of payments to the Internal Revenue Service (IRS).

REVIEW: This OP will be reviewed in April of odd-numbered years by the director of Tax Compliance and Reporting, the managing director of Purchasing & Contracting, the managing director of Sponsored Programs Accounting and Reporting (SPAR), and the associate vice president for research with recommended revisions forwarded to the assistant vice president for financial affairs/controller and the chief financial officer/vice president for administration and finance.

POLICY/PROCEDURE

1. General

- a. Research participant payments are those payments made by TTU to individuals to compensate them for participation in approved research projects, surveys, or studies.
- b. Research participant payments made to individuals who are not United States citizens or permanent resident aliens (“nonresident aliens”) are subject to 30 percent withholding tax at the time of payment, regardless of amount. Payment must be made by check so that the required tax can be withheld.
- c. Noncash items (such as MP3 players, PDAs, etc.) may not be provided to participants as the means to compensate them for participation in a research project, survey, or study unless approved by the Office of Tax Compliance & Reporting prior to the initiation of the project. Approval can be obtained by email, and the email should be attached to the purchase requisition for the noncash item.

If a noncash item is provided to a participant who is a nonresident alien, a FOP will need to be provided to the Office of Tax Compliance & Reporting to pay the applicable tax on behalf of the nonresident alien (current gross-up tax rate is 42.8% of the fair market value of the noncash item).

- d. All research projects that involve human subjects must be approved by the Institutional Review Board for the Protection of Human Subjects in Research (IRB) prior to initiation of the projects (see OP 74.09).

- e. All principal investigators (PIs) should have a completed and signed *Recipient Information* form (Attachment A), an IRS Form W9, or *Private Studies – Participant Agreement* form (Attachment B) (whichever is applicable) on file in a secure location for each research participant. This document is required to be retained by the PI or respective department for three years plus the current fiscal year after the final technical and financial project reports have been submitted; however, after the check payment request or cash advance reconciliation has been submitted, any SSN/TIN information should be redacted from the forms that are retained by the PI or department.
- f. Research participants may be given the opportunity to participate without receiving payment if they do not wish to provide identifying information.

2. Types of Payments

- a. Check (preferred method)

All research participants may be paid utilizing the Direct Pay System – Patient/Study Participant category. The information required to complete a Direct Pay request is collected on the *Recipient Information* form. Alternatively, and IRS Form W9 may be used to collect this information.

TTU is required to collect tax identification information on all payments except for (1) individuals participating in studies with an approved *Institutional Review Board Determination Letter* (see section d. below) or (2) single participant payments of \$25 or less. If a department fails to comply with the collection of this information, any fees assessed as a result of an IRS audit finding will be charged to the department conducting the research/study.

- b. Cash

A cash advance may be obtained from Accounts Receivable/University Deposits for making research participant payments by completing a *Request Cash Advance for Research Participant Payments* form (Attachment C). The cash must be distributed to the research participants and properly reported pursuant to section 3.a. below within two weeks from the date the cash advance was obtained.

Participants who receive cash payments are expected to complete the *Recipient Information* form or an IRS Form W9. Participants who are being paid \$25 or less are not required to provide their SSN on either form.

Nonresident aliens may not be paid with cash and must be paid via the Direct Pay System so that federal income tax can be properly withheld, reported, and submitted to the IRS in a timely manner. However, payments to individuals who are residents of countries other than the U.S. for research performed outside of the U.S. are not subject to U.S. reporting and tax withholding rules; therefore, such payments are not subject to the requirements in this section (3.b).

- c. Cash Equivalent (Gift Card or Gift Certificate)

A cash advance may be obtained to purchase gift cards or gift certificates. The gift cards or gift certificates must be distributed to the research participants and properly reported pursuant

to section 3.a. below within two weeks from the date the cash advance was obtained. The PI will be responsible for repayment of any undistributed gift cards.

Gift cards or gift certificates may not be purchased in advance on the pcard or through TechBuy; however, electronic gift cards/certificates offered by online vendors (e.g., Amazon) that are paid for upon completion of the research study when the number of participants are known are allowable.

Nonresident aliens may not be paid with cash equivalents and must be paid via the Direct Pay System, so that federal income tax can be properly withheld, reported, and submitted to the IRS in a timely manner.

d. *Institutional Review Board Determination Letter* (Attachment E): Research Participant Payments in Private Studies (single payments of more than \$25)

In certain circumstances, research studies are performed that require that the privacy of the research participants be protected. If the research study has been approved in advance by the IRB to be anonymous in nature, to be no more than minimal risk, or to contain sensitive private information, it is not necessary to identify the research participant by name or SSN/ITIN. In these cases, research participants are identified only with control numbers. A copy of the *Institutional Review Board Determination Letter* must be attached to the Direct Pay or cash advance request. The *Institutional Review Board Determination Letter* indicates that the department is maintaining the necessary documentation in case of an audit.

If control numbers are being used and the participant information is being maintained in a database, a spreadsheet of the control numbers used should accompany the *Institutional Review Board Determination Letter* as evidence of the total number of participants. This documentation is required to be retained by the department for a period of three years after all technical and financial project reports have been submitted.

For studies that require privacy, an individual must sign a *Private Studies – Participant Agreement* form in order to be a research participant. If an individual does not wish to provide his/her name, the *Private Studies – Participant Agreement* form can be signed with just his/her first name and/or initials. The *Private Studies – Participant Agreement* form must state that any payments received are taxable income to be reported by the recipient on his/her individual income tax return **and** that the individual agrees to limit his/her compensated involvement in TTU research projects to a total amount of less than \$600 received during a calendar year. The *Institutional Review Board Determination Letter* is required.

This section does **not** apply to nonresident aliens who must be paid via the Direct Pay System, which requires appropriate information so that federal income tax can be properly withheld.

3. Compliance

a. Reporting Payments

All information required to complete a Direct Pay check request or repay a cash advance on the *Cash Advance Reimbursement Reconciliation for Research Participant Payments* (Attachment D) is collected on the *Recipient Information* form or on a completed IRS Form W9.

If payment is to be made by check to the participant, a Direct Pay request should be submitted to SPAR (for funds 21x, 22x, and 23x) or Payment Services (for all other funds) using the Patient/Study Participant category and entering the information collected on the *Recipient Information* form or IRS Form W9. Copies of these forms should be submitted with the Direct Pay request.

If cash or a cash equivalent was distributed to the participants, a Direct Pay request should be submitted to reimburse the cash advance. The *Cash Advance Reimbursement* spreadsheet and the *Recipient Information* forms should be attached to reconcile the cash advance disbursement. Documentation should be submitted to SPAR (for funds 21x, 22x, and 23x) or Payment Services (for all other funds). All cash advances must be reconciled and repaid within two weeks from the date the cash advance was obtained.

b. Nonresident Alien Withholding

Payments to nonresident aliens (individuals who are not US citizens, permanent resident aliens, or resident aliens for tax purposes), regardless of the amount, are subject to 30 percent federal income tax withholding. At the time the payment is processed to these individuals through the Direct Pay System, 30 percent federal tax withholding will be deducted from the amount of the payment. Failure to withhold or report taxes withheld in a timely manner could result in IRS penalties assessed in the case of an audit finding. Any penalties assessed by the IRS due to non-compliance will be charged to the PI or respective department conducting the research/study.

c. Payments to Employees

Payments made to an employee who is participating in a research study will be treated the same as payments made to a non-employee, if all of the following conditions are met:

- (1) The employee's participation is totally voluntary and not part of his/her university duties;
- (2) The employee's participation is on his/her own time;
- (3) The employee does not perform any service while participating in the research study that would be performed in the course of his/her regular duties for the university; and
- (4) The employee is being paid the same as all other participants of the study, with no added benefits for participating.

It is the responsibility of the paying department to assure that these conditions are met. If all of the conditions are satisfied, payment can be made according to the provisions of this policy. If any condition is not satisfied, payment must be processed by submitting a payment request through the Employee One-Time Payment System (EOPS). Payment will be reflected on the employee's next scheduled paycheck with applicable employment taxes withheld and it will be reported on Form W-2 after calendar year end.

4. Types of Funds

Payments for research participants will only be allowed on funds that provide for expenditures on Account Code 7N3053, Patient and/or Subj Expenses (state funds are not allowed).

Attachment A: Recipient Information form

Attachment B: Private Studies – Participant Agreement

Attachment C: Request Cash Advance for Research Participant Payments

Attachment D: Cash Advance Reimbursement Reconciliation for Research Participant Payments

Attachment E: Institutional Review Board Determination Letter Involving Payments to Research Participants over \$25