

## CENTRAL SERVICES PROCEDURE—ACCOUNTS PAYABLE

### *Non-Employee Honorariums for Independent Contractors*

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**Purpose:** In most cases, the Yosemite Community College District (YCCD) hires individuals as **Employees** to perform professional services for the District. However, there are certain situations where it is acceptable for the District to hire individuals as **Independent Contractors**. Guest speakers and guest performers are the most common example of Independent Contractors at YCCD.

This procedure lists the 20 Common Law Factors that are generally true for Independent Contractors and then describes the steps to follow to receive approval to hire that vendor.

**Important! A purchase order must be established before services can begin on Independent Contractor work. This is particularly important now that we are required by law to report Independent Contractor information regularly throughout the year.**

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#### **20 Common Law Factors:**

If an individual is an Independent Contractor, the following 20 common law factors generally hold true:

1. Contractors do not require specific instructions.
2. Contractors do not require training.
3. Contractors do not have to personally provide the service; they may hire others to actually do the work.
4. Contractors are not dependent on this service to keep operating; contractors should provide services to other clients.
5. Contractors set their own work hours.
6. Contractors do not have a continuing relationship with the hiring company.
7. Contractors may hire staff at their sole discretion.
8. Contractors should have enough time available to pursue work with other clients.
9. Contractors control where they work; if they work on the premises of the hiring company, it is not under that company's direction or supervision.
10. Contractors determine the order and sequence that they will perform their work.
11. Contractors are hired for the final result...and therefore should not be asked for progress or interim reports.
12. Contractors are paid by the job, not by time.
13. Contractors often work for more than one firm at a time.
14. Contractors are generally responsible for their incidental expenses.
15. Contractors usually furnish their own tools.
16. Contractors should be able to perform their services without the hiring company's facilities (equipment, office furniture, machinery, etc.).
17. Contractors make their services available to the general public by having a business license, having business signs, advertising their services, etc.
18. Contractors should be able to make a profit or a loss.
19. Contractors can't be fired as long as they produce a result that meets the contract specifications.
20. Contractors are responsible for the satisfactory completion of a job or they may be legally obligated to compensate the hiring firm for failure to complete.

If you are not sure whether a person should be treated as an employee or an independent contractor, please contact the Controller for assistance. *The most conservative approach, however, is to hire an individual as an employee.*

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**Object Code:**

Under most circumstances, Non-Employee Honorarium transactions should be charged to the Consultant Services object code 55436.

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**Processing of Green Non-Employee Honorarium Form:**

1. When independent contractor services are required, fully complete Part A of a green Non-Employee Honorarium Form.
2. Complete an electronic requisition and submit Copy 1 of the Non-Employee Honorarium Form as BTF (Back-up to Follow) the online requisition to Purchasing. (Copies 2 & 4 of the Non-Employee Honorarium Form are to be retained by the Department. Copy 3 is the vendor's copy and should be given to them at the time they sign the form.)
3. The electronic (online) requisition will be routed through the approval process while copy 1 of the honorarium is sent to purchasing attached to the Change Order/Routing Form.
4. Once approved, Purchasing will issue a blanket purchase order (BPO). The yellow copy of the BPO will be distributed to Accounts Payable with Copy 1 of the Non-Employee Honorarium Form attached.
5. After services are complete, the Department will authorize payment by completing Part B on Copy 2 of the Non-Employee Honorarium Form and forwarding that copy to Accounts Payable.
6. Accounts Payable will make payment to the vendor.

**Partial Payments** – If partial payments are needed, make photo copies of copy 2 of the Non-Employee Honorarium Form for each payment that is needed. Complete Part B, including an original Management Supervisor Signature, on each copy as payments become due. Then, forward to Accounts Payable for payment.

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**Tax Reporting:**

Independent contractors are flagged, as such, in our accounting system for tax reporting purposes. Independent contractors receiving \$600 or more in a calendar year are reported throughout the year to the California Employment Development Department (EDD) and after year-end to the Internal Revenue Service (IRS).

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**References:**

- State - SB 542 (Burton)
- Federal - Revenue Act of 1978

**Effective Date:** 10/2005

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**Questions:** Dawn Delaire, Accounts Payable Supervisor (X6520)