

Section 4	Fiscal Policies	11/16/99-Originated
Subject 4.5	Cost Accounting	10/14/10-Reviewed w/ changes -Reviewed w/o changes
<b>Policy 4.5.5</b>	<b>Hiring Independent Contractors</b>	Logistics -Author

## Hiring Independent Contractors

### Definition

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***Independent Contractor definition:*** An individual who provides services to UTMB with whom UTMB does not have an employee/employer relationship.

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### Policy

UTMB may only purchase from or enter into purchase agreements and/or contracts with an individual or sole proprietor for the performance of services, regardless of dollar amount, when the work to be performed meets the Internal Revenue Service (IRS) guidelines for Independent Contractor classification.

All purchases from Independent Contractors must be submitted to the Purchasing Department for processing except as otherwise authorized under the Small Order System (SOS) or under the Direct Payment and Reimbursement Program (Non-PO Voucher). Performance of services may not commence nor any payments made until the [Employee/Independent Contractor Verification Form](#) has been completed and signed by the authorized individual.

Employees intentionally providing inaccurate information to be used in completing the *Verification Form* or employees signing the *Verification Form* knowing that the information contained therein is inaccurate, will be subject to disciplinary action which may include termination.

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### Guidelines

Employees should carefully review the questions and instructions contained in the *Employee/Independent Contractor Verification Form* prior to initiating a request to contract with an individual or sole proprietor to perform any type of service. The *Verification Form* has been designed to aid personnel in determining the appropriate classification and routing of payment requests.

Requests to hire an individual or sole proprietor classified as an “Employee” must be submitted to Human Resources per standard hiring procedures.

Requests to procure services from an individual or sole proprietor classified as an “Independent Contractor” must be processed per the instructions on the *Verification Form*.

**UTMB HANDBOOK OF OPERATING PROCEDURES**

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**Compliance Requirements**

The IRS and other government agencies make a distinction between an employee and an independent contractor for tax and compensation purposes. The IRS and other agencies have specific rules that must be followed when classifying a worker as an employee or independent contractor. Improper classification could result in substantial tax assessments and penalties to UTMB. Proper classification ensures that UTMB is in compliance with several laws, including the following:

- Internal Revenue Code
- Fair Labor Standards Act
- State Worker's Compensation Law

Any entity that does not comply with the above laws could be liable for the payment of back Federal Income taxes, Social Security and Medicare taxes, unemployment insurance and workers' compensation premiums, in addition to penalties and any other benefits that the individual(s) would have been eligible for if properly classified as an employee. Misclassification of employees as independent contractors might also result in the violation of labor laws.

**References**

Policy 4.5.6, *Procurement Policy*  
Policy 3.3.7, *Contract Workforce*