I. Title

_Hiring Independent Contractors_

II. Policy

This policy defines the criteria to qualify as an independent contractor and sets out how independent contractors must be paid in order for the University of Texas Medical Branch at Galveston (“UTMB”) to remain compliant with federal and state tax and employment laws. All individuals paid for services provided must be properly classified as either an independent contractor or an employee.

Misclassification of employees as independent contractors could result in a failure to withhold and remit required income and employment taxes and expose UTMB to potential Internal Revenue Service (“IRS”) assessments of tax, penalties and interest, as well as claims by misclassified workers. All individuals who perform services for UTMB are presumed to be employees unless the relationship satisfies the IRS and related common law standards for independent contractor status. Accordingly, prior to engaging an individual to provide services for UTMB, the Department of Human Resources must determine whether the individual should be classified as an employee or as an independent contractor.

UTMB, in compliance with applicable federal laws and regulations, strives to maintain an environment free from discrimination against individuals on the basis of race, color, national origin, sex, age, religion, disability, sexual orientation, gender identity, genetic information or veteran status.

III. Guidelines

Departments seeking to engage an individual to perform services for UTMB as an independent contractor must complete the Independent Contractor Approval Form (“Approval Form”), which is designed to determine and document the individual’s correct status as an independent contractor or employee. The Approval Form incorporates the factors identified by the IRS to determine the appropriate worker status.

The Approval Form must be completed and signed by the department head or area leader and submitted to Human Resources Employee Relations for review and approval before any services are performed. The checklist should not be completed by the individual performing the services. Performance of services should neither commence nor any payments be made to an individual until approval is obtained from Human Resources and all required procedures are completed to appoint the individual as an independent contractor.

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).
If the request for an independent contractor is not approved by Human Resources, the requesting department must work with Recruitment to hire the individual as an employee in accordance with UTMB’s hiring procedures.

IV. **Compliance Requirements**

It is the policy of UTMB that the services of independent contractors are procured in accordance with state and federal laws and regulations. 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.

Departments should carefully review the questions and instructions contained in the Approval Form prior to initiating a request to contract with an individual or sole proprietor to perform any type of service. Any individual who intentionally provides inaccurate information when completing the Approval Form will be subject to disciplinary action, up to and including termination. Departments can also be billed for any taxes, interests, and penalties being assessed against UTMB by the IRS due to the department’s failure to comply with this policy.

V. **Related UTMB Policies and Procedures**

IHOP - 04.05.06 - Procurement Policy

VI. **Dates Approved or Amended**

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VII. **Contact Information**

Human Resources Employee Relations
(409) 772-8696