

**Final: 10-14-08**

**Purpose: To create a business process that will support the certification of tax status for independent contractors:**

**Effective 10/01/2008**

## **School of Pharmacy Certification of Tax Status for Independent Contractors**

**This Policy does not apply to UMB employment of or UMB contracts with:**

1. Students, faculty and staff employed at UMB
2. Foreign national students receiving a scholarship or fellowship
3. Study participants
4. Compensation for services performed entirely outside of the United States

### **Definitions and Terms:**

- Independent contractor – An individual providing to UMB services of limited scope and duration who has been determined to be an independent contractor, under IRS rules and common law, rather than an employee. For purposes of this policy, the term includes individuals receiving honoraria as well as individuals being paid for services of longer duration than the services that may be compensated by honoraria.
- Honoraria – One-time payments, generally lump sums, paid to individuals for specific services such as speeches, academic lectures, and demonstrations, generally provided on one date or during one brief business visit of a week or less at UMB.

### **School of Pharmacy Policy & Procedures**

UMB Policy No: 3312 "Payments to Foreign National Independent Contractors" requires that all requests for payment to independent contractors include certification of tax status. The campus's EZ pay forms have been updated to include this certification step. The new EZ pay form is available <http://www.fincsvc.umaryland.edu/ap/images/eZPayment.pdf>. UMB Policy No: 3312 can be viewed under:

<http://www.fincsvc.umaryland.edu/images/PaymentsForeignContractors.pdf>

**In order for departments to have the ability to make this certification the following language must be included in any new agreements/correspondence letters between the department and the contractor.**

*...“If the information contained herein is accurate and satisfactory to you, please complete the questions at the end of this letter, sign to signify your certification and return original to my attention in the enclosed self addressed envelope. Please note that we will be unable to process a request for payment until we receive your completed and signed letter.*

*Please be aware that payments made to foreign nationals are subject to a U.S. federal withholding tax of 30%. Payments may be exempt from withholding only if there is a tax treaty benefit between the United States and the foreign national's country. Note also that a Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN) is needed in order to receive the tax treaty benefit. If you do not have a SS or ITIN number and cannot answer yes to question 1 below, your contact information will be forwarded to the University's Office of Payroll Services for further processing. Payment processing for those individuals whom are not U.S. citizens or permanent residents may take an extended period of time due to additional required steps to determine tax status.*

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By my signature, I \_\_\_\_\_ *[Name of recipient]*, hereby certify that the terms of this Honorarium are fully understood by me and the information below is correct

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Signature

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Date

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SSN or ITIN

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Contact email

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Contact phone number

1. Are you a U.S. citizen or permanent resident yes no; if no please proceed to question 2 and 3

2. In the previous 6 months have you received honoraria payments and associated expenses from more than five institutions? yes no

3. The honoraria payment and/or associated expense reimbursement I will receive from the University of Maryland, Baltimore are for usual activities that do not/will not last for more than nine days yes no..."

**When processing the request for payment, a copy of the fully endorsed and completed letter must be attached.**

If an independent contractor answers "no" to question number 1, the department contact must forward their information to: [DL-BFNRAHelp@umaryland.edu](mailto:DL-BFNRAHelp@umaryland.edu) to proceed with the glacier process.

Please contact FS-Payroll at the following email address: [DL-BFNRAHelp@umaryland.edu](mailto:DL-BFNRAHelp@umaryland.edu) with any questions regarding the glacier process or further processing of payments for non US Citizens or Permanent Residents.

Attachments: Sample Honoraria Letter\_\_ Sample Consultant/other pay Letter