

Process:	Independent Contractor or Employee		
Contact:	Humanities and Social Sciences Financial Services	Last Revision Date:	8/16/23

Introduction:

When services are to be rendered by an individual rather than a company, we must first determine if services should be rendered as an independent contractor to be paid through the financial system using a social security # (SSN) or as an employee to be hired and paid through the HR system using a (SSN). It is important to note that an individual could be operating under a company name but still use the (SSN) as the tax identifier. We cannot simply choose one method over the other as there are very specific tax laws in this regard. It is extremely important to follow the steps necessary to determine which method is appropriate. Note: If you are using the services of a company to be paid through the financial system using a Federal ID # (FIN), these steps are not relevant to that process.

Steps:

1. **Prior** to services being negotiated, the [Independent Contractor Checklist](#) must be completed and signed by the employee who is most familiar with the project. You must also have a contract/agreement. It is important to use the checklist on the Financial Services website as it has the certification statement that the college requires. The Head/Unit Leader or their designee should review the checklist and contract. The Department Liaison will then submit the independent contractor checklist/contract in the Contract Portal. Both will route to the Financial Services/Accounting Manager, unless it's being paid from a contract and grant's project then it will route to the Research Director.
2. As previously stated, a contract is required for all independent contractors. University contracts/agreements can be found on the Office of General Counsel's website <https://generalcounsel.ncsu.edu/legal-resources/contracts-library/> Services should not be rendered prior to the contract being approved by Business & Procurement. **Please note: only Business & Procurement can sign contracts; departments and colleges do not have authority to sign contracts on behalf of the University.** <https://procurement.ofa.ncsu.edu/our-services/contract%20review-services/>
3. If the total cost of the project will be \$5,000 or more (including shipping and all other costs), a competitive bid process by Business & Procurement or an approved [sole-source justification](#) will be required for approval to waive bid process. **No agreements should be entered into or services rendered PRIOR TO APPROVAL from Business & Procurement.** Splitting payments to suppliers to make the purchase appear to be for less than \$5,000 is a violation of purchasing policy.

4. Specific instructions related to design and print services can be found at <https://procurement.ofa.ncsu.edu/our-services/wolfcopy/>

5. Current employees of the university or of a state agency cannot be paid as independent contractors. Previous employees should not be paid as independent contractors unless the services are different from those provided as an employee and the employee has been separated for at least 12 months.

6. The Accounting Manager or Research Director will evaluate the checklist in the Contract Portal based on the answers given, consult with Business & Procurement when appropriate, and approve for both contract and independent contractor checklist and route to Business & Procurement. If we are unable to approve we will recommend pursuit of hiring the individual as a temporary employee. If the latter is the case, the notification will also be copied to the Humanities and Social Sciences HR Consultant.

7. Once services have been rendered as an independent contractor, an invoice should be submitted by the contractor to the department. Independent contractors should **never be paid via a university purchasing card**. The invoice, a copy of the approved checklist and contract, should be submitted to Financial Services for payment via a small purchase.

Additional References:

Employee or Independent Contractor:

<https://controller.ofa.ncsu.edu/university-tax-compliance/employees-vs-independent-contractors/>

Independent Contractor Agreement:

<https://generalcounsel.ncsu.edu/legal-resources/contracts-library/>

Independent Contractor Copyright Clause:

https://policies.ncsu.edu/wordpress/wp-content/uploads/2016/10/copyright_ind_contr_clause.doc

Independent Contractors and the IRS:

<https://www.irs.gov/taxtopics/tc762>

Purchases from State Employees:

<https://3dmemos.ncsu.edu/memo/purchases-of-goods-and-or-services-from-employees/>