

ACTTS

TO: File
From: ACTTS/FAD
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Policy and Procedures: *Individual Independent Contractor/Consultant- Processing Payments*

Policy

Independent contractors/consultants providing services to Harvard must submit an itemized invoice to be processed via Web Voucher. Invoices must include professional fees and billable expenses related to the services performed such as travel.

note: Harvard employees should not pay for such services out of pocket or use Amex and PCard.

Definition

Independent Contractors/Consultants provide business services to Harvard (e.g. business system design, caterers, disc jockeys, and other small contractors/consultants).

note: For guidance regarding appropriate classification, reference Harvard's policy, [Individual Independent Contractor/Consultant-Classification and Procedures](#), located on the VPF web site.

This definition does **not** include *invited guests* who are faculty, lecturers, dignitaries, non-salaried employees, etc., who generally support the research/academic mission of the University. Invited guests will be reimbursed by Web Voucher Expense.

Basic Procedures

- Independent Contractor/Consultant submits an itemized invoice including professional fees, travel, and other expenses related to the services performed.
- Local unit reviews invoice for appropriateness and processes it through Web Voucher.
*note: Local unit is strongly encouraged to request and review **copies** of all receipts to ensure the expenses are consistent with the contract agreement. These copies are not forwarded to AP but may be maintained by the local unit.*
note: When preparing the Web Voucher, local units should code the entire payment to the appropriate professional services object code (object codes ranging from 7850-7980).
- Independent Contractor/Consultant retains his/her *original* receipts.
note: It is the responsibility of the Independent Contractor/Consultant to report and deduct the travel and other expenses when they file their personal, annual tax returns.
note: The entire payment will be reported by Harvard on either Form 1099 or 1042S with taxes withheld as appropriate for non-resident aliens.

Background

IRS Compliance: Harvard is required to report service payments exceeding \$600 for the calendar year to Independent Contractors/Consultants who are US citizens on Form 1099.

note: Independent Contractors/Consultants are required to report all income from services, even if less than the \$600 reporting requirement.

There is no \$600 reporting threshold on service payments to Independent Contractors/Consultants who are non-resident aliens. All payments will be reported on Form 1042S.

Standard Industry Practice: Even though Independent Contractors/Consultants may prefer to be separately reimbursed for expenses because it simplifies their own tax filling, it is standard industry practice to combine professional fees and reimbursable expenses on one invoice. This is more efficient for Harvard since it reduces the number of transactions and imaged documents required when processing as reimbursements.