Research Subject Compensation - Guidance Document

Background

Arizona State University is responsible for maintaining various levels of confidentiality with respect to information obtained from or about individuals participating in research. At the same time, ASU must comply with the record keeping requirements of the State of Arizona, sponsoring agencies and the Internal Revenue Service.

Consistent with FIN 421-05 (“Human Subject Payments”), payments to individuals participating in research studies must be recorded as a form of compensation. Payments may take the form of any type of remuneration including, but not limited to: checks, cash, stored value cards, gift certificates, and non-cash items of value. FIN 421-05 is available at: http://www.asu.edu/aad/manuals/fin/fin421-05.html.

Requirements of FIN 421-05: Human Subject Payments

ASU has adopted FIN 421-05 to ensure that payments to individuals participating in research are reported in accordance with state and federal income reporting requirements while providing an appropriate level of confidentiality to participants.

Payments to individuals participating as human subjects in authorized ASU research or to individuals as research incentives for participation in studies are typically modest in amount ($100 or less). Such payments may be in the form of a check, cash, cash equivalent, or noncash incentive such as clothing. For large studies, or when confidentiality is part of the human subjects protocol approved for the research, subject pay can be disbursed from a checking account established with an expense advance.

Any single payment or series of payments to a single individual (whether from one or more investigators, on one or more projects) equal to or greater than $600 during a calendar year is subject to income tax reporting requirements and must be reported to the Tax Unit of ASU Financial Services, which will issue an IRS Form 1099-MISC if a U.S. citizen or Resident Alien.

Procedure

For research studies not subject to confidentiality constraints, subject pay must be disbursed through the accounts payables process for tax reporting purposes.

When payments to a single individual are expected to equal or exceed $600 in a calendar year, the department must obtain a completed ASU Substitute W-9. The department
must collect the following information from the individual: (i) human subject participant’s name; (ii) social security or taxpayer identification number, (iii) whether the individual is a U.S. citizen, permanent resident or a nonresident alien; (iv) the title of the research project; (v) the date(s) of participation; (vi) compensation received by the participant; (vi) the amount and details of any expense reimbursement with dated recipient signature; and (vii) dated signature of an ASU project person with responsibility for records retention.

Cash equivalents of $600 or more that are distributed to a single individual in a calendar year are subject to the tax reporting rules described above and the fund custodian is responsible for reporting such distributions to the Tax Unit of ASU Financial Services. The report must include receipt documentation equivalent to that described above and a completed ASU Substitute W-9.

For research studies subject to confidentiality requirements, only the minimal reportable payment information must be reported (Name, SSN, and amount of payment); all confidential documentation must be retained at the project level. Additional accommodation necessary to meet the confidentiality requirements should be discussed with the IRB and, when appropriate, the Tax Unit of ASU Financial Services.

It is not clear if a Certificate of Confidentiality would be upheld in the face of an IRS audit of ASU’s accounting systems. In circumstances where a subject’s confidentiality must be assured, the IRB recommends that the investigator develop a compensation plan that (i) would not exceed the reporting threshold or (ii) would not require collecting or recording information that would put the subject at risk.

**IRS Reporting**

Research subject payments made to a single individual by ASU that equal or exceed $600.00 from all sources during any calendar year will result in a Form 1099-MISC (Miscellaneous Income) being issued to the individual with a copy sent to the Internal Revenue Service.

**Recruiting Non-Resident Aliens (NRA) and Tax Reporting**

Federal regulations require that appropriate tax must be withheld at the time of any payments. Payments to NRAs are subject to the tax withholding and reporting rules described in FIN 425: Payments to Nonresident Aliens.

FICA (Social Security and Medicare) tax is charged to NRAs that are subject to FICA tax. The University portion of FICA is not charged to the research grant.

At year-end, a 1042-S tax form is mailed to the individual to be used in preparation of his/her tax return.
Under the Internal Revenue Code (IRC), payments to individuals who are NRAs are subject to 30% withholding unless exempt under some provision of law or a tax treaty. In addition, year-end tax reporting requirements apply to NRAs regardless of any applicable exemption or tax treaty. There is no minimum threshold in the IRC that acts as an exception to the tax withholding/reporting requirements (unlike the $600 threshold for 1099-MISC reporting for human subject payments to US citizens or Resident Aliens addressed above). All payments to NRAs, regardless of the amount, are subject to tax withholding and IRS reporting requirements.

Investigator and Department Responsibilities

The Principal Investigator (PI) for a research project must confirm with each participant that he or she is not receiving any other compensation from ASU such as human subjects pay from other research projects or compensation for services (employee or independent contractor) during the calendar year and the PI must document this information. If the participant is receiving such payments or if the PI is unable to confirm and document such information, then any single payment or series of payments totaling $100 (as opposed to $600) or more is subject to the reporting requirements to the Tax Unit of ASU Financial Services. Such reporting to the Tax Unit of Financial Services must include the required documentation from above as well as a completed ASU Substitute W-9.

Procedures to follow when payments are made to human subject participants

1. Obtain IRB approval and recruit and select participants in accordance with IRB protocol approval.
2. Contact the Tax Unit in Financial Services if questions arise related to compensating research subjects.
3. Provide a letter to each participant explaining that payments, gift cards and/or other items when combined meet or exceed $600.00 in value in a calendar year are reported by ASU to the IRS.
4. Determine, with each individual, whether there are any other income payments from ASU such as human subject pay from other research projects or compensation for services (employee or independent contractor) during the calendar year and document this information for your records.
5. The University will not file a Form 1099-MISC with the IRS if all of the following are true: 1) the payment or series of payments to the individual in the calendar year is less than $600.00; 2) the individual is a U.S. Citizen or Permanent Resident Alien for tax purposes; and 3) the individual is not receiving other compensation or payment from ASU. If the individual is receiving a payment or series of payments equal to or greater than $600.00 or is receiving other compensation from ASU, the PI must collect and submit the required documentation and a completed Substitute W-9.
6. If the participant is a Non-Resident Alien for tax purposes, the payment is likely taxable at a rate of 30% (withholding to occur at the time of payment) and
requires the submission of a completed IRS Form W-8BEN with payment request. ASU reports to the IRS and the NRA via the Form 1042-S.

7. When tax withholding is required, secure a completed copy of either a Substitute W-9 for non-employees (for U.S. citizens, Permanent Resident Aliens and residents for tax purposes) or an IRS Form W-8BEN for Non Resident Aliens. Completed forms must include the Social Security Number or Tax Identification Number.

Confidentiality

When a PI learns that an individual participating as a research subject will have reportable tax implications, the PI must obtain the individual’s basic information including name, mailing address and social security number. The PI should inform the individual that collecting this information allows ASU to meet government reporting obligations and that ASU has in place precautions to keep this information secure. The individual may choose to waive compensation if he/she does not wish to provide identifying information. The Institutional Review Board requires that notification of this waiver option be included in the Informed Consent Form.

FAQs

1. Are there different IRS reporting requirements based on the amount of compensation?

Answer: Yes. Payments aggregating less than $600.00 in a calendar year do not require a report on Form 1099-MISC so long as the individual participant is not receiving any other income or payments from ASU and is not a non-resident alien.

ASU is required to report payments made to any individual if all payments combined are equal to or greater than $600.00 during a calendar year on Form 1099-MISC. ASU must collect and report the following information:

- Human Subject Participant’s Name
- Social Security Number (U.S. Citizen) or Taxpayer Identification Number (Resident Alien)
- Citizen Status (U.S. Citizen, Permanent Resident, or Non-resident Alien)
- Title of research project
- Date(s) of participation
- Compensation received by the participant
- Date of payment
- Signature of participant and ASU record custodian

2. Can a Non-resident Alien receive compensation from ASU as a participant?

Answer: Yes, but the appropriate income tax withholding and reporting must be performed. Contact ORIA or the Tax Unit of Financial Services with questions.
3. Are there different reporting thresholds for reporting participant income?
   
a. Answer: Yes. Contact ORIA or the Tax Unit of Financial Services for guidance.

4. Can an ASU employee be compensated as a research participant?
   
Answer: Yes

If ASU employees are paid for acting as a research subject independent of their role at ASU, such payments generally must be handled through the regular payroll process for tax withholding and reporting purposes. However, when ASU employees participate as subjects in a research project that is unrelated to their employment, subject pay is permitted. For documentation purposes, the ASU ID can be used for ASU employees or students.

5. Can participants be compensated with noncash items such as clothing, MP3 Players, etc?
   
Answer: Yes

For noncash items under $600 in cumulative value, the purchase and distribution of such items must be documented as to public purpose. However, individuals do not need to be identified. If the total value of noncash items is $600 or more to a single individual, then the same documentation requirements apply including identification of the individual.

If cash equivalent sources of compensation are to be used (e.g., gift cards, stored value cards, gift certificates, etc.), the PIs must use the payment voucher (PV) process along with a justification for the use of cash equivalents, a description of the controls in place to manage them, and plans for disposition of cash equivalents not used for research purposes.

6. Who can help me if I have questions about applying ASU’s policies to my research protocols?

Answer: Email to research.integrity@asu.edu or call the Office of Research Integrity and Assurance at 480-965-6788.

7. Where can I find more information on this topic:

Answer: http://researchintegrity.asu.edu/

8. Who determines whether a participant is receiving other compensation from ASU?
Answer: PIs will need to determine whether a participant is involved with more than one study by asking the individual participants. For individuals receiving $600.00 or more in a calendar year, the reporting and documentation requirements of FIN 421-05 apply.

9. Is there an ASU policy that I can refer to?

Answer: Yes, refer to FIN 421-05, available online at http://www.asu.edu/aad/manuals/fin/fin421-05.html