**Honorariums and Stipends**

**Honoraria**

Issues to consider prior to processing an honorarium include the following:

* Is the person who is being paid on the USNH payroll? If the answer is yes, a new appointment must be processed through KSC Human Resources.
* Is the person who is being paid performing a service or function that constitutes an employer-employee relationship, as defined by the Internal Revenue Service? If the answer is yes, a new appointment must be processed through KSC Human Resources.
* Is the person who is being paid from a foreign country? If the answer is yes, then please see Payments to Foreign (Non-Resident) Vendors.

Please feel free to consult with Human Resources, Purchasing, or Accounts Payable for assistance in determining how to pay an honorarium to an individual. At a minimum, we will need a Social Security number and a mailing address for the individual. Honoraria may not be paid through a Petty Cash Voucher. The relevant account code to use for a Direct Payment Voucher is 717210 - Other Professional Services - Honoraria.

**Stipend Definitions**

**Consultant**

Consultants are self-employed individuals, partnerships, or firms that provide professional evaluations, advice, or services (purely advisory in nature) to KSC occasionally and for short periods of time. Consultants are not USNH employees or established vendors handled through regular purchasing procedures. USNH employees may not be considered consultants and may not be paid for any services other than through normal human resources and payroll procedures. The consultant provides these services independently, without the supervision of the individual engaging these services. Consultant agreements require special approvals - always contact the KSC Purchasing Office prior to making arrangements. Travel expenses and support may be part of the agreement; however, unless specified in the agreement, there is generally no obligation on the part of USNH to provide a place of performance of these services. The relevant account codes are in the 717... range.

**Employee** (from IRS definition)

An individual performing services subject to the control of an employer, both as to what shall be done and how, is an employee. The employer does not have to actually direct or control the way the services are performed; it is enough that he or she has the right to do so. An employee must be paid through the human resources and payroll systems.

**Honorarium**

An honorarium is a payment or reward that is intended to confer distinction upon, or to symbolize respect, esteem, or admiration for, the recipient. If a payment represents compensation for services it should be termed accordingly and paid through the human resources and payroll systems, rather than being treated as an honorarium. The amount for an honorarium may not be negotiated. Honoraria to USNH employees are paid through the human resources and payroll systems as supplemental salary. Honoraria to non-employees are paid through Accounts Payable.

**Independent Contractor**

An independent contractor is an individual over whose work the employer has the right to control or direct only the result and not the means or methods of accomplishing the result. When determining whether a worker is an employee or independent contractor, the IRS typically applies the common law test of control. Under this test, if an employer has the right to control and direct what a worker does and how he or she does it, an employer-employee relationship exists. In the absence of such control, a worker may be classified as an independent contractor.

**Service Provider**

Services are defined as tasks, such as tests or analyses, performed independently by a company or individual.

**Documentation**

Before hiring a Consultant, Independent Contractor, or Service Provider, please speak to the Purchasing Department about whether an Independent Contractor Agreement or Purchase Order is required.

**Other Taxable Types of Income**

All payments, including rents and royalties, made to non-corporate entities, whether or not for services rendered, must be reported to the IRS (via form 1099 Misc.) if the payments total $600 or more in a calendar year.

* Royalty payments: report gross amount (prior to severance and other taxes which may have been withheld or paid).
* Prizes and awards: report prizes, awards, or any other fixed and determinable payments that are not for services rendered.
* Non-employee compensation: report fees, commissions, and other forms of compensation for services rendered by an individual who is not an employee.

Basic tax information, including name, mailing address, and Social Security number, is required before a check can be issued. Vendor codes must be created for payments.