Honorarium Guidelines & Procedures



Last Revised: 03/15/24

abie	Page	
1.0	Honorarium Guidelines & Procedures	3
1.1	Definition	3
	Misclassification of Workers – Violations and Penalties	3
	Check Residency Status for Employment and Tax/Reporting Purposes	3
	Foreign National Residency Status – for Employment and Tax Purposes	3
	Payment For Services	3
	Reportable Payments	4
1.2	Criteria	4
1.3	Examples of participants	4
	Is considered an Honorarium.	4
	Is NOT considered an Honorarium.	4
1.4	Processes/Routing	5
1.5	Areas of Responsibility	
1.6	GL Account Code	5
1.7	Forms	5
2.0	Appendix: Independent Contractor & Honorarium Matrix	6

1.0 Honorarium Guidelines & Procedures

The following guidelines and procedures should be used to determine when and how to issue honoraria to individuals for all Cal State LA and its Auxiliary Business Units. All Business Units must follow the Internal Revenue Service's (IRS) definition to determine when an individual is qualified to receive a payment as an honorarium.

1.1 Definition

An honorarium is a voluntary payment or any other thing of value on behalf of Cal State LA or its Auxiliaries, given to an individual as a token of appreciation for their participation in an activity or event for which no fee is legally or traditionally required. An honorarium payment is made as a gesture of goodwill and in appreciation to recognize or acknowledge the contribution of gratuitous services to the University or its Auxiliaries, rather than as a fulfillment of an obligation. The honorarium amount is discretionary and nominal and is usually a one-time payment made to an individual for a special nonrecurring activity.

Misclassification of Workers - Violations and Penalties

It is important to determine the correct classification of workers as employees, independent contractors, or Honorarium. This distinction is significant because an incorrect determination could result in the following:

- Wage liability, including overtime
- Benefit liability, including retirement.
- Loss of reimbursement under Federal contract and grant funds
- Penalties for violation of State and Federal tax withholding laws
- Penalties for violation of Federal laws pertaining to the employment of nonresident aliens (Form I-9)

In addition, the following employment-related requirements may be violated:

- State Political Reform Act financial conflict of interest rules
- Workers' compensation and unemployment insurance coverage requirements

Check Residency Status for Employment and Tax/Reporting Purposes

For all services performed in the U.S. by an "alien" (not a U.S. citizen or U.S. national), the individual must submit valid work authorization. To process payment, the contractor must have an Individual Taxpayer Identification Number (ITIN) or Social Security Number. To calculate the proper rate of withholding, determine whether the contractor is a nonresident or resident alien and country of origin. Foreigners without residency may pay the same rates of US citizens, or 30% depending on type of income. A reduced rate or exemption may apply if there is a tax treaty. Note and track any restrictions on the length and frequency of work for these contractors.

Foreign National Residency Status – for Employment and Tax Purposes

Cal State LA and its Auxiliaries must determine residency status and/or Visa status prior to retaining an individual as an independent contractor. Failure to do so may result in the university being unable to legally procure services and pay the independent contractor.

Payment For Services

Payment for services may not be authorized unless the following conditions have been met:

- If the Honorarium does not have an active Payee Data Record Form on file, one must be completed before
 work commences and before payment can be issued. This form is mandatory for all suppliers paid by the
 campus.
- All required forms and/or documents have been received and approved.

Last Revised: 03/15/24 Page 3 of 6

Reportable Payments

The Accounts Payable office will issue Form 1099, as required by law, to any Honorarium receiving payment(s) from the campus totaling \$600.00 or more within a calendar year.

Payments of California source income to nonresidents of California, with certain limited exceptions, require seven (7) percent state income tax withholding on all payments that exceed \$1,500 in a calendar year. (See Revenue and Taxation Code Section 18662)

- California nonresident payees must complete Form 588, 589 or 587 to verify the proper withholding requirements.
- California resident payees must complete Form 590, Withholding Exemption Certificate, to verify California resident status. No state tax withholding is required with a valid withholding exemption certificate.
- Non-resident alien (NRA) Honorariums are handled on a case-by-case basis, as visa status and specific country treaties must be considered to determine tax withholding percentages.

1.2 Criteria

Below provides the criteria you need to know if the prospective individual qualifies as an Honorarium. If prospective individual does not meet established criteria, see guidelines for Independent Contractor – Simple Service or Complex Service for processing.

The answer to ALL the following criteria must be "Yes". If not, see the Independent Contractor Simple or Complex service categories. Any exceptions to the criteria must be approved by the Executive Director of Financial Services.

- 1. The individual will only participate as an Honorarium in a singular university function/activity.
- 2. The individual will not work directly with minors.
- 3. The individual is not a current CSU employee, State of California employee, or a retired annuitant.
- 4. The individual is eligible to work in the United States.
- 5. The honorarium payment is less than \$600.
- 6. The honorarium payment is not being made out to a company or organization.
- 7. There is no payment and/or compensation that has been agreed upon for participation as Honorarium.
- 8. There is no invoice and/or agreement required for participation as an Honorarium.
- 9. The individual does not have a prior existing personal relationship with the organizer of the function/activity.
- 10. The Individual is not participating in a *High-risk event.

- NOTE: *High-risk events - If the performer/speaker has a history of or likely potential for crowd control concerns, the Independent Contractor - Complex Service Process must be used.

1.3 Examples of participants

Is considered an Honorarium.

- Guest speaker
- · Guest performer
- Participation in scholarly symposium/or presentation of scholarly research.
- Participant/Contributor as author for professional publication.
- Participation in panel, workshop, as judge, or similar capacity in a university activity.
- Guest cultural performer.

Is NOT considered an Honorarium.

- If participation as Honorarium is reoccurring for separate activities/functions. (Honorarium' are one-time payments).
- Any sort of compensation that is agreed upon prior to the participation/rendering of services.
- If invoiced for participation/service.
- A regular or fixed payment made to an individual in recognition of added responsibility.

Last Revised: 03/15/24 Page 4 of 6

Additional payments made to independent contractors for services performed.

1.4 Processes/Routing

- Step 1: Requester reviews Honorarium criteria to ensure individual meets qualifications.
- Step 2: Requester completes "Honorarium Payment Request Form" and routes for DOA (level ≥4) approver's signature.
- Step 3: Requester routes Payee Data Record to Honorarium (if Honorarium is a new Supplier).
- Step 4: DOA approves "Honorarium Payment Request Form". **Approval must be dated prior to the services being performed.**
- Step 5: Requester submits Honorarium Payment Request Form along with Direct Payment Request (DPR) submitted to Accounts Payable. * See Note
- Step 6: Payment is issued.

*Note: The Payment Request can be sent to Accounts Payable (AP) 2 weeks prior to the event taking place. In turn, AP will have the Payment ready for Pickup prior to the event so it can be presented to the Honorarium on the day the event occurs. Accounts Payable will email the Requester once the event has taken place asking them to confirm the event took place and that the Honorarium received payment. The email response will be included with the original documentation.

1.5 Areas of Responsibility

- Requester
 - o Reviews Honorarium criteria to ensure individual meets qualifications.
 - Completes "Honorarium Payment Request Form".
 - o If Honorarium is a new supplier, requester routes Payee Data Record to Honorarium for completion.
 - o Routes "Honorarium Payment Request Form" for DOA (level ≥4) approver's signature.
 - Upon receiving DOA approval and establishing an active Payee Date Record Form, submit completed "Honorarium Payment Request Form" along with Direct Payment Request (DPR) to Accounts Payable.
- Delegation of Authority (DOA) Approver
 - o Reviews and verifies the information on the "Honorarium Payment Request Form".
 - o Approves Honorarium Request. DOA approval must be dated prior to the services being performed.
- One Stop Financial Services
 - Supplier creation (if applicable).
- Accounts Payable
 - Validating and enforcing compliance and Issues payment.

1.6 GL Account Code

660849 - Honorarium

1.7 Forms

- Honorarium Payment Request Form through Adobe Sign Power Form
- Direct Payment Request or UAS Check Request Form

Last Revised: 03/15/24 Page 5 of 6

2.0 Appendix: Independent Contractor & Honorarium Matrix

	Independent Contractor		Honorarium
	Independent Contractor - Simple Service	Independent Contractor - Complex Service	Honorarium
Criteria	The answer to ALL the following criteria must be "Yes". If not, see the Complex Services category. 1. The service rendered is a performer or speaker either in-person or via Zoom/virtual (i.e. solo musician, guest model, guest judge, etc) and is not participating in a "High-risk event. 2. The individual is not a current CSU employee, State of California employee, or a retired annuitant. 3. The individual is eligible to work in the United States. 4. The payment is less than \$2,500 per service and less than \$2,500 per fiscal year (July 1 - June 30). 5. A single engagement is less than five (5) days, and cumulatively across all campus departments less than five (5) days per fiscal year. 6. The individual will not work directly with minors. 7. The individual is not a food supplier/vendor. 8. The individual does not require the execution of their own contract. 9. The individual is not doing any type of repair work on or off campus facilities. 10. Does not meet the Honorarium Criteria. NOTE: "High-risk events - If the performer/speaker has a history of or likely potential for crowd control concerns, the Independent Contractor - Complex Service Process must be used.	The answer to ALL the following criteria must be "Yes". 1. The individual is not a current CSU employee, State of California employee, or retired annuitant. 2. Does not meet the Independent Contractor - Simple Service Criteria. 3. Does not meet the Honorarium Criteria.	The answer to ALL the following criteria must be "Yes". If not, see the Independent Contractor Simple or Complex Service Categories. 1. The individual will only participate as an Honoraria in a singular university function/activity. 2. The individual will not work directly with minors. 3. The individual is not a current CSU employee, State of California employee, or a retired annuitant. 4. The individual is eligible to work in the United States. 5. The honorarium payment is less than \$600 per fiscal year. 6. The honorarium payment is not being made out to a company or organization. 7. There is no payment and/or compensation that has been agreed upon for participation as Honoraria. 8. There is no invoice and/or agreement required for participation as an Honoraria. 9. The individual does not have a prior existing personal relationship with the organizer of the function/activity. 10. The individual is not participating in a *High-risk event. NOTE: *High-risk events - If the performer/speaker has a history of or likely potential for crowd control concerns, the Independent Contractor - Complex Service Process must be used.
Process	Step 1: Requester reviews Independent Contractor – Simple Service criteria to ensure individual meets qualifications Step 2: Requester completes and routes the Independent Contractor – Simple Service Offer Letter and a Payee Data Record (if IC is a new Supplier) to the Independent Contractor. Step 3: Independent Contractor accepts and signs the Independent Contractor – Simple Service Agreement form. Step 4: Requester routes the Independent Contractor – Simple Service Agreement for DOA (level≥4) approver's signature. Approval must be dated prior to the services being performed. Step 5: After services have been rendered, Requester submits a completed Independent Contractor – Simple Service Agreement form along with an Invoice and a Direct Payment Request (DPR) to Accounts Payable. Step 6: Payment is issued.	Step 1: Obtain Form from One Stop Financial Services via Adobe Sign link. Step 2: Independent Contractor (IC) Form is completed by the requesting department. If available include Certificate of Insurance. Step 3: If IC is a new supplier, Requester completes and routes Payee Data Record to Independent Contractor. Step 4: Create a Requisition via the Purchasing module and upload the IC form. Step 5: IC Requestor sends email notification to One-Stop Financial Services. Step 6: One Stop Financial Services reviews IC form. (If the IC form requires corrections, the department/Requester will be notified to correct the IC form and the process will revert to Step 2.) Step 7: Notification is sent to the Controllers Office to review the IC form. (If the IC form requires corrections, One Stop Financial services will be notified, and the process will revert to Step 5.) Step 8: Notification is sent to Risk Management (RMEHS) to review the IC form. (If the IC form requires corrections, One Stop Financial Services will be notified, and the process will revert to Step 5.) Step 9: Notification is sent to Procurement & Contracts to review IC requisition. Step 10: Procurement issues PO Step 11: After services have been rendered, Department submits invoice to Accounts Payable. Step 12: Payment is issued.	Step 1: Requester reviews Honorarium criteria to ensure individual meets qualifications. Step 2: Requester completes Honorarium Request Form and routes for DOA (level 24) approver's signature. Step 3: Requester routes Payee Data Record to Honorarium. Step 4: DOA approves Honorarium Request Form. Approval must be dated prior to the services being performed. Step 5: Requester submits Honorarium Request Form along with a Direct Payment Request (DPR) to Accounts Payable. Step 6: Payment is issued.
Forms	Independent Contractor – Simple Service Offer Leter through Adobe Sign Power Form Direct Payment Request (DPR)/Payment Request	Independent Contactor through Adobe Sign Power Form Requisition Direct Payment Request (DPR)/Payment Request	Honorarium Request Form through Adobe Sign Power Form Direct Payment Request (DPR)/Payment Request
GL Account/ PO Category Code	Account 613001 - Contractual Services 613002 - Temporary Help Services 613805 - Special Lecture 660850 - Guest Artists	Account PO Category Code 613001 – Contractual Services 96200 - Service-Miscellaneous 961309 - Internships 96101 - Internships 613805 - Special Lecture 95101 - Service-Temp Help Svcs 92403 - Special Lecture 92401 - Guest Artist	Account 660849 - Honorarium

Last Revised: 03/15/24 Page 6 of 6