POLICY

Effective Date: December 18, 2006
Revised: June 10, 2020
Approved By: President Sabah Randhawa

POL-U5348.09 PAYING HONORARIA OR STIPENDS TO NON-EMPLOYEES

This policy applies to offering non-employees an honorarium or stipend. Students and employees are not eligible to receive honoraria from the University.

Definitions:

**Honorarium:** A single, fixed, “ex gratia payment” given as an expression of gratitude and gesture of good will to an individual who volunteers their expertise by participating in a University sponsored event, activity, or class that would be considered incidental and infrequent (not traditionally required on an on-going basis) such as, but not limited to:

- A talk, address, or special classroom lecture or short series of lectures,
- Participating as a judge for a contest, or
- Serving on a panel

An ex gratia payment is considered voluntary as the party making the payment is not obligated to compensate the individual.

**Stipend:** A stipend is a fixed amount payment to a non-employee:

- To support a training or learning experience generally given to assist with living or educational expenses while undertaking a role that primarily provides the individual with a learning/training experience and therefore exempts them from waged or salaried employment, or
- For services that may be reoccurring but do not represent employment, such as a host teacher paid quarterly for hosting a student teacher.

**Foreign National:** A foreign national in the United States is someone who is not a U.S citizen or a non-resident alien.
**Independent Contractor:** In general terms, an independent contractor (IC) is a self-employed person, such as a consultant, who provides certain services to WWU. An IC is not under the control, guidance, or influence of WWU. WWU neither deducts taxes from payments to the IC nor contributes the employer's share of taxes. To be legally designated as an IC, an individual must (1) be free from the control of WWU, (2) be able to exercise independent judgment as to the manner and methods used to accomplish the end-result, and (3) be responsible for the end-result only under the terms of the contract.

1. **Contract Administration Oversees Honoraria and Stipend Arrangements**

   The Chief Procurement Officer, under the purview of the Vice President for Business and Financial Affairs and in partnership with Accounting Services, is responsible for establishing rules and processes to support and monitor honoraria and stipend arrangements to non-employees to ensure compliance with federal, state, and bargaining unit requirements.

2. **Payment Must not Establish Independent Contractor or Employee Status**

   The payment is not set by or negotiated with the recipient but has a nominal value assigned to it that is not equivalent to a professional charge or wage. If payment is agreed upon with terms and conditions it may constitute a contractual agreement or offer of employment and therefore must follow either University policy and procedures for contract development or employment.

   Departments are encouraged to consult with Contract Administration or Human Resources, or refer to the “See Also” section of this policy to ensure that proper procedures are followed.

   Using the honoraria payment process to circumvent a University required process (e.g. processing a contract or hiring an individual as an employee) solely to avoid procedures that are more cumbersome is strictly prohibited.

   Honoraria may be paid only to an individual, not a group, organization, or company.

3. **Conflict of Interest**

   No University employee may be beneficially interested, directly or indirectly, in an honorarium or stipend arrangement involving the University that may be made by or through the employee, or is under the supervision the employee, in whole or in part, or accept, directly or indirectly, any compensation, gratuity, or reward from any other person beneficially interested in the contract, sale, lease, purchase, or grant.

   Western recognizes that not all relationships are a conflict of interest. However, it is required that employees involved in the contract review and approval process promptly report what may be potentially perceived as a conflict of interest to the University Ethics Officer for review and documentation of good faith efforts to disclose and engage in ethical agreements.
4. **Payment Amounts May be Limited**

Payment amounts are subject to approval by the appropriate financial manager. Travel is not to be paid or reimbursed separately but to be considered in the amount of the honoraria. Consideration may also be made to the fact that the amount may be subject to income tax reporting.

Financial managers should maintain and review prior honorarium and stipend payments made under their purview to ensure consistent application for similar activities and recipient backgrounds.

Contract Administration may establish limits on honoraria amounts and grant exceptions in consultation with the appropriate vice president if such exceptions do not violate University policy or legal regulations. The *Honoraria or Stipend Pre-Approval for Non-Employees Form (FRM-U5348.09A)* states any honorarium or stipend amount limitations and approval requirements.

5. **Restrictions Apply to Foreign National Recipients**

Not all foreign nationals may be eligible to receive an honorarium or stipend; therefore, it is important for departments to determine first if the individual has the appropriate visa. If they are eligible, it is important to understand the tax impact or eligibility before committing to an honorarium or stipend.

Financial Managers must review federal rules for *Honorarium Payments to Foreign Nationals before* approving a payment request.

6. **Appropriate Review is Required**

The situation or individual must meet the required criteria of an honorarium or stipend in order to be paid as such. Therefore, it is pertinent for a department and the approving Financial Manager to review the restrictions and conditions for *Honorarium Payments to Foreign Nationals before making any official offer* to a potential recipient.

If restrictions and appropriate processes are not adhered to, the University may be found in violation of IRS rules, contract administration requirements, and/or collective bargaining agreements.

7. **Advanced Payments are Prohibited**

Honorariums may only be paid after the event(s) have been completed. Honorariums will not be paid until the recipient provides applicable paperwork required by the Internal Revenue Services (IRS). Accounting Services reports all honorariums as required by the IRS.