

## **W-2 (Payroll) vs. 1099 (Accounts Payable) Payment and Classification Guide**

*Last Updated on 4 March 2011*

### **PAYROLL:**

As a general rule, because of tax implications, any payments made to student and non-student employees MUST be paid through Payroll. This includes:

- 1.) Employees who have additional payments for awards, additional work, special lectures, etc. by submitting a *Payroll Change Form*
- 2.) Student employees who are being paid for a one-time event, including honorarium-type payments, by submitting a *Request for Single Student Payment* form

For payments that are *not* to be made against a wage account (e.g., 6120, 6121, etc.), Payroll will process the payment to a general 6147 account and will notify finance to create a journal entry to charge the correct account. This is important to note in the event that any comparison of payroll data versus finance data is made by the department.

EXCEPTIONS to the above general rule are outlined in the Accounts Payable section below.

### **ACCOUNTS PAYABLE:**

The following are examples of payments to employees that need to be accompanied with W-9 information for payment. They will receive a 1099 at the end of the calendar year for tax purposes.

- 1.) *Reimbursements for Purchases Paid by Employee for College Business* – processed through Accounts Payable with appropriate receipts included
- 2.) *Purchase of an Employee's Product* – including such items as a work of art, are processed through Accounts Payable via an invoice from the seller to show the item(s) purchased
- 3.) *Contracted Labor* – the employee, as owner and proprietor of a business, must draft a contract that details the terms of the agreement, including such items as a detailed break down of supplies and labor costs. This contracted work must be conducted separate and apart from the scope of the employee's regular work for the College. The contract must be signed by the independent contractor and a Messiah College Budget Director, with payment for work based on satisfactory completion of the contracted work assignment.

Payments to students for items that are not the result of work performed in an employee/employer capacity will be paid via Accounts Payable. This includes items such as scholarships, awards, refunds, and gifts that are purely academic in nature.

Additionally, payments to non-Messiah employees (excluding Messiah students) will be made through Accounts Payable. These include such items as:

- 1.) Honorariums (*see HR Employee Policy and Procedure Manual for more information*)
- 2.) Contracted Labor

### **THIRD-PARTY PAYMENTS:**

Accounts Payable will not make payments to a third-party organization in the name of an employee for purposes of an honorarium or donation. Such payments to a third-party organization will be the responsibility of the employee.