



Policy

There are two methods for research study participant payments to facilitate human subject research. The Principal Investigator may select the method most appropriate for each human subject study and the method of payment must be consistent with the financial information in the IRB approved consent form.

1. **Preferred Payment Method:** Sending a check directly to the study participant via use of a [Payment/Check Requisition](#) Form, paid by Loyola University Chicago's Accounts Payable department. An [IRS form W-9 or W-8](#), if not already on file with Accounts Payable for the individual payee, must be attached to the Check Requisition Form when submitted to Accounts Payable. When using the preferred method Loyola can verify the participant received the check by using the signature on the cashed check.
2. **Alternative Method:** A Principal Investigator or authorized signatory can request an advance of research funds equal to an estimated amount of participant payments for a period equal to three months' worth of payments. This advance is to be used **exclusively** for cash or cash equivalents, such as gift cards, to be distributed to study participants. The PI or designee should track/document payment distribution as further explained later in this document.

Roles and Responsibilities

Principal Investigator (PI), or delegated designee – responsible for:

- Maintaining Institutional Review Board (IRB) approval for duration of study;
- Safeguarding advanced research funds prior to distribution;
- Issuing individual payments to study participants as either checks, cash or cash equivalents;
- Securing appropriate documentation for each study participant payment acknowledging financial distribution;
- Reconciling advanced funds regularly.

Sponsored Program Accounting (SPA) – responsible for the oversight of study participant payments from research funds and maintaining study participant confidentiality during research related financial transactions. Study participant payments issued as an advance and paid from sponsored programs are reconciled by SPA on a regular basis.

Tax Information

Before issuing a payment by check, Accounts Payable requires a W-9 or W-8 to be on file for the payee. The information on the W-9 or W-8 will be used by Accounts Payable to certify the payee and determine the potential need to prepare annual tax filings for the payee in accordance with IRS regulations (i.e., 1099-MISC reporting).

The below portion of this policy relates ONLY to the Alternative Method

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Regardless of the specific mechanism of payment when using the Alternative Method of participant payment, the research team must supply to SPA adequate documentation of payment receipt by the study participant. Using negotiable items such as gift cards/certificates are cash equivalents which must be treated like cash and therefore requires very strict tracking and accountability.

Initial Request for Advanced Funds

- **Cash** – An [Expense Reimbursement Form](#) should be submitted to Accounts Payable for an estimated three months' worth of participant payments. The [Advance Fund Establishment Form](#) should be included with the expense reimbursement form when sent to AP. Advanced funds, if approved for payment, will be paid by Accounts Payable through the regular payment process.
- **Gift Cards** - Requests for gift cards should be sent to the Purchasing department by following the process prescribed in the [Gift Card Purchase Authorization Form](#) and the University [Gift Card Policy](#). The request should be for an estimated three months' worth of participant payments.

Advance Reconciliation

Advances on an accounting unit are held, similar to an encumbrance (commitment), and subtracted from an available balance but not yet charged to the accounting unit as an expense. Because advances are not initially charged as expenses, they are not reported to the funding agency as an expense and therefore the cost of the advance is temporarily borne by the University. Advances on an accounting unit should be reconciled monthly by the PI or designee. Complete documentation, explained later in this policy, should be sent to Sponsored Program Accounting. When complete documentation is reviewed and processed, advances will then be charged to grants as expenses and reported to the funding agency when required.

Advance balances may be viewed in ad-hoc WebFocus reports and in the Commitments column of the PI's monthly reports.

Documentation of Payment Distribution

Adequate documentation of financial distribution consists of the participant's name or unique participant study number, amount of payment, payment date and proof of study participant payment by:

- Research study participant signature **OR**
- Research team members (PI, coordinator or other appropriate designee) signature witnessing participant payment for studies where participant confidentiality needs are extreme. Only the PI and designated research staff should be able to link the study subject number to individual study participants.

Failure to provide adequate documentation of payment distribution will require a refund from the PI.

Request for Additional or Replenishment Funds

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- **Cash** - An [Expense Reimbursement Form](#) submitted to AP **and** complete documentation of financial disbursements sent to SPA is required to replenish a cash advance for an additional estimated three months' worth of participant payments. After SPA has reviewed and processed the disbursement log, replenishment funds will be paid by Accounts Payable through the regular payment process. Complete documentation consists of the Fund Disbursement Log or alternative documentation meeting the criteria defined above in Documentation of Payment Distribution.
- **Gift Cards** - Requests for an additional estimated three months' worth of participant payment gift cards should be sent to the Purchasing department by following the process prescribed in the [Gift Card Purchase Authorization Form](#) and the University [Gift Card Policy](#).

Unused Advances

- **Cash** – Unused cash at the close of a study must be returned to Sponsored Program Accounting for re-deposit into the grant accounting unit.
- **Gift Cards** – Unused gift cards may not be able to be re-deposited into the grant accounting unit and may require a transfer to a departmental operating or discretionary accounting unit to be disposed of by the department. Contact Purchasing <http://www.luc.edu/purchasing/> for assistance.

Periodic Review

Advance funds are subject to higher scrutiny by award sponsors and as such, will be reviewed regularly by Sponsored Program Accounting to ensure the University general ledger contains updated and accurate information.

Tax Information

Federal law requires individuals paid \$600 or more during a calendar year to be reported to the IRS and other federal agencies. If there is any indication an individual will receive \$600 or more in a calendar year (in any combination of cash and/or cash equivalents) Loyola must collect the payee's tax identification information. Resident aliens meeting the \$600 or more threshold will be reported on IRS Form 1099-MISC, Miscellaneous Income; additional considerations and reporting requirements are necessary for non-resident aliens. It is strongly advised to utilize a preferred payment mechanism, as described above, so this process can be wholly managed by the Accounts Payable department.

Cash– Recipients paid in cash, either wholly or in part, and aggregating more than \$600 during a calendar year (in any combination of cash and cash equivalents) should be tracked by the PI and/or department and communicated to the Accounts Payable department. Additionally, the required tax identification form (i.e. W-8 or W-9) should be completed and forwarded to Accounts-Payables@luc.edu so they can perform tax reporting for the payments disbursed.

Gift certificates and gift cards– Have a readily ascertainable value and are therefore considered taxable

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income by the IRS. *Select federal tax information and Loyola policy from the University [Gift Card Policy](#) is noted below.*

- **Employees** – the value of gifts and gift cards/certificates is considered compensation subject to federal, state and employment tax withholding, and reporting on form W-2. There is no de-minimus benefit amount relating to gift cards/certificates and therefore all amounts given will be considered taxable income to the employee.
- **Non-employees** – the value of all gifts and gift cards/certificates in an aggregate amount of \$600 or more per calendar year must be reported on IRS Form 1099-MISC as other compensation. The University will track all compensation received by such individuals and will complete the 1099-MISC reporting. A form W-9 must be kept for individuals if there is any indication that the individual may receive \$600 or more during the calendar year.
- **Nonresident aliens** – all gift cards will be subject to tax unless a tax treaty exception applies. Follow the steps for entering nonresident alien information into GLACIER at <http://www.luc.edu/finance/giftcardpolicy/> to determine whether the gift card is subject to tax. If a treaty exception does not apply, 30% federal tax withholding will apply and the department will be responsible for the tax and tax gross up since tax cannot be withheld from the gift card/certificate. *See the Gift Card Policy at <http://www.luc.edu/finance/giftcardpolicy/> for more information regarding nonresident alien tax withholding.*