COLORADO STATE UNIVERSITY
Financial Procedure Instructions
FPI 2-10

1. **Procedure Title:** Research, Survey and Other Related Incentives

2. **Procedure Purpose and Effect:** The purpose of this procedure is to ensure that incentives relating to research, survey and other related activities follow university and IRS guidelines.

3. **Application of Procedure:** This procedure applies to all research and study incentives given to individuals. This procedure also applies when payments are made to a third-party vendor.

4. **Exemptions:** There are no exemptions from this procedure.

5. **Definitions:** None.

6. **Procedure Statement:**

The University conducts research projects (including surveys) that involve the participation of human subjects. As an incentive to participate, individuals may receive payments in the form of cash and/or cash equivalents such as gift certificates or gift cards. When making incentive payments to individuals, the University must comply with Internal Revenue Service, Federal government regulations and sponsor guidelines. The failure to obtain the appropriate documentation as required by State and Federal guidelines may potentially subject the University to the imposition of monetary penalties and interest charges. All payments to purchase gift cards or gift certificates and all direct payments to study/research participants or third-party vendors should be coded to object code 6710-Research/Study Incentive Payments.

A. Funding Sources

Research incentives in the form of cash, gift certificates or gift cards may be paid for face values not exceeding $100 per incentive/instance. Incentives paid from Sponsored Programs (53) accounts must have the approval of the Office of Sponsored Programs to insure that the payments are allowable under the terms of the sponsored agreement. Incentive payments using all other fund sources must be approved in advance by Campus Services. Prior to approval the requesting department must complete the Incentive Payment Request Form in Section 8 and submit to Campus Services for (non-53 account requests) or Sponsored Programs for (53 account requests) for review and approval.

B. Tax Treatment of Payments

The University must report incentive payments to the IRS that total more than $2,000 to an individual in one calendar year. The payments will be reported on Form 1099-MISC, Miscellaneous Income. Incentive payments in any amount are taxable income and should be reported by the recipient on his/her individual income tax return. Individuals

receiving incentive payments should consult their personal tax advisor regarding the tax treatment of these payments.

Incentive payments made to employees are also subject to reporting on Form 1099-MISC as long as participation in the study is not within the scope of their employment relationship with the University. At present, no University employees have study participation within the scope of their employment. If study participation was incorporated into an employee's job duties at a future date, payments made to the employee would be reported on Form W-2, Wage and Tax Statement. The Principal Investigator (PI) or person conducting the research should contact the University Tax Accountant or Tax Manager to determine the proper tax treatment of payments to employees whose job duties include participation in research studies.

C. Information Needed for Tax Reporting Purposes

Except for the specific circumstances outlined below in subsections (1) and (2), the PI or person conducting the research is required to maintain an "identifying list" that contains the study participant's name, Social Security number, address and signature acknowledging receipt of funds to facilitate tax reporting of payments made. A copy of the Participant Disbursement Log http://busfin.colostate.edu/Forms/General_Forms/Participantdisbursementlog.xls should be attached to payment requests and sent to Accounts Payable by the PI or person conducting the research. The preferred method for paying participants is with a University check initiated through the creation of a Disbursement Voucher (DV).

If the nature of the research is "sensitive", then participation in the research may need to be confidential or anonymous. The final determination of whether participants may remain anonymous will be made by the IRB (Institutional Review Board) based on approval of the study protocol, which will provide an explanation of and justification for subject anonymity. Individuals may contact the IRB at 491-1655 for further information. In this case, identifying participant information will be "coded" by the PI prior to transmittal to Accounts Payable.

1. Nominal Payments (Cash payments ≤$25)

When small payments are made (e.g. ≤$25 mailed with a survey form to encourage participation) and it is not practicable or possible to collect tax reporting information, the Principal Investigator or the person conducting the research is responsible for the maintenance of a list containing the names (or addresses) of the individuals (or households) to which the survey forms were mailed along with the amount paid. The mailing list of survey recipients should be sent to Accounts Payable when requesting reimbursement. If payment is requested prior to the survey mail out, the list should detail anticipated recipients. When such nominal payments are made in a setting (i.e., face-to-face, research conducted on campus, etc.) in which the collection of tax reporting information is feasible, such information must be obtained as described above.

2. Non-recurring Payments ≤$100 to Anonymous Human Subjects

In research studies using anonymous subjects (subjects for whom no identifying information will be collected), individual payments ≤$100 per instance may be made in the form of cash, gift cards or gift certificates. The Principal Investigator is responsible for maintaining a list of cash, gift cards or gift certificates disbursed to participants. Total payments in the form of cash or cash equivalents such as gift cards or gift certificates to an anonymous participant may not exceed $1,999 during a calendar year. When requesting reimbursement from Accounts Payable for study incentives, the Principal Investigator or the person conducting the research should attach a coded list of the study participants who are to receive incentives to the payment document. This list should not contain any identifying information for the anonymous study participants. A disclaimer on the consent document regarding IRS reporting requirements is recommended.

3. Recurring Payments Totaling $1,999 per Year and Individual Payments Greater Than $100

   Payments with checks issued through the creation of a DV are required when making multiple payments to a single individual totaling more than $1,999 during a calendar year or when making single payments greater than $100. Supporting documentation for the DV must include a signed IRS Form W-9 containing the participant's name, legal address and social security number. DV's for payments by check to nonresident aliens will be forwarded by Accounts Payable to the Foreign Tax Administrator to determine the proper tax treatment.

D. Unallowable Expenses

1. Per OMB Final Uniform Guidance, payments to research study participants in any form for the costs of entertainment, including amusement, diversion and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.

2. Gift certificates or gift cards may not be purchased using a University PCARD; the DV mechanism must be used.

7. **Reference and Cross-References:** Institutional Review Board's Compensating Participants Guidance: https://www.research.colostate.edu/ricro/irb/guidance-faqs/

8. **Forms and Tools:** Incentive Payment Request Form