Honorarium Guidelines & Procedures

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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.

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 speaking events - If the lecturer/speaker has a history of audience violence/protests/riots, or the expected audience will be more than 500 attendees, it is considered “high risk” and the Independent Contractor - Complex Service Process must be used.

1.3 Examples of participants

Is considered an Honorarium.

- Guest speaker or visiting lecturer.
- 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.
- 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
  - Reviews Honorarium criteria to ensure individual meets qualifications.
  - Completes “Honorarium Payment Request Form”.
  - If Honorarium is a new supplier, requester routes Payee Data Record to Honorarium for completion.
  - 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
  - Reviews and verifies the information on the “Honorarium Payment Request Form”.
  - 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