

Human Participant Incentives Guideline Procedures

Corresponding Policy Title: [Policy on Human Participant Incentives](#)

Procedure Owner: Procurement & Business Services

Related Policies: Social Security Number (SSN) Protection Policy

Forms:

- [Human Participant Incentive Fund Agreement](#)
- [Human Participant Incentive Fund Request](#)
- [Human Participant Incentive Fund Reconciliation](#)

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Responsible University Department: Procurement & Business Services

Procedure Contact: Assistant Director, Payment Services

I. Procedure Statement

The Human Participant Incentives Guideline Procedures are provided to ensure consistency throughout the University when providing incentives for participation in an Auburn University study/project and to guide Auburn University departments through the compensation process. Individuals conducting Auburn studies/projects that compensate human participants must collect and document all personal information necessary to comply with IRS tax-reporting regulations. Incentive funds are subject to review/audit at any time by the Office of Audit, Compliance & Privacy.

The IRS treats human participant incentives, whether cash, check, cash equivalent, or tangible property, as taxable income to the recipient. This means the recipient is supposed to report the incentive on their personal tax return at the end of the year. Auburn must follow IRS regulations as the payer and as a general rule report payments of \$600 or more. Incentive payments paid to non-resident aliens require tax withholding and reporting on a 1042S.

Controlling Authority: Internal Revenue Code; University Policy; Federal Financial Aid; U.S. Citizenship and Immigration Services

II. Procedures

A. Guiding Principles

- Auburn must protect confidential information at all times, including during collection, payment processing, and storage. Confidential information includes, but

is not limited to, Social Security Numbers (SSN) of participants. See the Social Security Number (SSN) Protection Policy (<https://sites.auburn.edu/admin/universitypolicies/Policies/SocialSecurityNumberProtectionPolicy.pdf>) for more information.

- Incentives are taxable income to human participants.
- The Fund Custodian is directly responsible for the security and integrity of the cash provided as incentives. The Fund Custodian should employ effective controls for safeguarding assets to minimize loss. Controls for safeguarding assets include, but are not limited to, the following:
 - 1) Provide a secure location for the funds. This may be accomplished by such means as a fireproof safe, a locked desk drawer, or other locked device;
 - 2) Limit access to secure locations via keys or combinations to authorized individuals only;
 - 3) Limit the people who handle the funds, should be as few as possible;
 - 4) Change safe combinations regularly, especially when an employee with knowledge of the combination leaves the department; and
 - 5) Change locks whenever security may have been compromised. Ensure keys are returned when an employee leaves the department.
 - 6) Maintain security of the funds while in transit:
 - a. To/from secure location (include from PBS or bank)
 - b. To site for disbursement
 - c. While at disbursement site
- If a Foreign National is uncertain if their Visa type allows for payment as a human participant in a study/project, they should seek guidance from the Office of International Programs.

B. Guidelines

Documentation

Multiple payment types are available for compensating human subject study participants. Generally, payments of \$100 or less can be made by cash or gift card without collection of a participant's personal information while payments over \$100 must be made by check/direct deposit. The individual conducting the study must collect and document all personal information necessary to comply with university policy and tax regulations.

Payment Types

- **Check/Direct Deposit Payments:** The preferred method of incentive compensation to participants is by check/direct deposit payments.
 - 1) Process participant payments on a multiple vendor voucher for check/direct deposit issuance.
 - 2) Recipients who are AU employees or students, include the person's Banner ID on the voucher.
 - 3) Recipients not affiliated with AU, follow the guidance below under Recipient Types to determine when a Banner ID (e.g., registration in the AU Vendor Center) is required.

- 4) When a Human Participant expects to receive aggregate payments over \$600 in a calendar year, make all payments by check.
- **Cash Payments:** Cash payments can be provided as incentives to participants to ensure confidentiality and/or anonymity of the study/project.
 - 1) These payments should be limited to \$100 per disbursement.
 - 2) The department prepares a paper vendor voucher for the cash advance made payable to the Fund Custodian. The amount requested should be based on a two-week need. Indicate the amount each participant will receive and the estimated number of participants anticipated in a two-week period. Attach a completed Human Participant Incentive Fund Request form to each voucher.
 - 3) Prior to receiving the first cash advance, the Fund Custodian will personally sign a Human Participant Incentive Fund Agreement form that provides acknowledgement of reconciliation and safeguarding requirements.
 - 4) Acknowledgment of payment must be kept on file with the Fund Custodian. Examples of acceptable forms of acknowledgment include a signed receipt or a signed participant list.
 - 5) Reconciliation of the advance should occur prior to disbursement of additional funds or on a monthly basis, whichever occurs first. Attach a Human Participant Incentive Fund Reconciliation form with the reconciliation documentation.
 - **Cash Equivalent Payments:**

Cash equivalent payments in the form of gift cards can be provided as incentives to participants.

 - 1) Cash equivalent payments should be limited to \$100 per disbursement.
 - 2) Gift cards in lieu of cash should be purchased with funds from a cash advance.
 - 3) Participants may be paid using Amazon's Mechanical Turk (MTurk) to provide links to participants for redemption of the gift card code. The AU Purchasing Card is used to process these payments.
 - **Non-Cash Incentives:** Incentives that are tangible personal property
 - 1) De-Minimis: Tangible property with an annual value of \$100 or less are not subject to taxation.
 - 2) Non-De-Minimis: Tangible property with an annual value of more than \$100. These incentives are subject to taxation and the full value amount must be appropriated for tax reporting.
 - 3) Departments must track the value of all non-cash incentives provided to human participants. If the value of non-cash incentives for a recipient exceeds \$100 for the calendar year, report employee incentives to the Payroll Unit in Human Resources and non-employee incentives to Procurement & Business Services.

Additional Review Needed for Foreign Nationals and AU Students

- **Tax Compliance:** Check payments made to Foreign Nationals may require different tax treatment than payments to US Citizens. Tax Compliance must review all payments to Foreign Nationals prior to payment.

All payments made to individuals who are nonresident aliens for federal tax purposes are generally subject to withholding under Section 1441 of the Internal Revenue Code. The code section states that a withholding agent is required to withhold federal income tax from all payments made to or on- behalf of a nonresident alien, and Treasury Regulations 1.1461-2 requires all such payments to be reported to the IRS. Generally, the tax rate is 30%. In addition, federal immigration laws limits what types of payments individuals can receive if they are not US Citizens or permanent residents.

- **Student Financial Services/Financial Aid:** When calculating a student's federal financial aid eligibility, Auburn University is required to account for all non-payroll remuneration provided to the student by Auburn per 34 CFR 673.5(c)(1)(xiii) and FSA Handbook. Check payments to students must be reviewed by Student Financial Services to ensure the participant payment does not exceed the federal financial aid limit of cost of attendance.

Recipient Types

- **Auburn University Employees:** Human participant incentives to employees constitute gross wages and are subject to payroll tax withholding. PBS reports incentives provided to employees to Human Resources for inclusion on the employee's W-2.
- **Auburn University Students:** Route payment vouchers containing payments to AU students to the Student Financial Aid Office for review. Following review, the Financial Aid office will forward the vouchers to PBS for payment processing. For those students receiving financial aid, the student will receive the full payment however, the value of the award will be reported as a resource and adjustments to the student's aid package will be made, if necessary. If a student is receiving remuneration through a cash equivalent, the value of such must be reported to the Financial Aid office as a resource and adjustments to the student's aid package will be made, if necessary.
- **US Individuals not affiliated with Auburn University:**
 - If the participant will receive \$200 or less, they do not have to register through the AU Vendor Center.
 - For payments of \$100.01 - \$200 the department/Fund Custodian will have to obtain and attach a completed IRS form W-9 to the voucher and/or documentation. The W-9 requirement is waived for payments of \$100 or less.

- If the participant will receive more than \$200, they must register via the AU Vendor Center. These individuals receive an IRS form 1099-Misc reporting the dollar amount of payments received from Auburn.
- **Foreign National:** Human subject incentives to Foreign Nationals, who are nonresident aliens for federal tax purposes, will be subject to tax withholding, under the Internal Revenue Code. This will be reported on a 1042-S. Issue payment in the form of a check/direct deposit, routing vouchers including payments to Foreign Nationals through Tax Compliance for review prior to payment.

III. Definitions

Confidentiality: A set of rules or a promise that limits access or places restrictions on certain types of information.

Anonymity: The situation in which someone's name is not given or known.

Cash Equivalent: For the purposes of this policy, cash equivalents are gift cards.

Employee: For purposes of this policy, an employee is anyone who receives a W-2 from the University.

Foreign National: An individual who is a citizen of any country other than the United States.

Nonresident Alien: A Foreign National that is subject to federal tax withholding under Section 1441 of the Internal Revenue Code

Tangible Personal Property: Items that can be moved, touched or felt. Examples include plaques, pens, t-shirts, etc.

IV. Sanctions

Violation of this policy will be addressed through appropriate disciplinary action.

V. Related Information

Appendix A Process Flow

VI. Revision History

VII. Frequently Asked Questions

General

1. Are researchers required to collect personally identifiable information (PII) made to human participants when the payment amount is \$100 or less?

No, researchers do not need to collect personally identifiable information on cash or cash equivalent payments of \$100 or less no matter the relationship of the individual to AU.

2. For cash payments of \$100 or less, what information are researchers required to collect for the participant to be paid?

Participants must sign a receipt or acknowledgement of payment; this can be done using a standard receipt book or an internally developed log. Documentation of the acknowledgement will be kept on file with the PI/Fund Custodian. While there is not a requirement regarding PII collection for incentive cash payments of \$100 or less, best practice would be to collect the full legal name of the participant and keep on file with the PI/Fund Custodian.

3. How was \$100 selected as the amount under which personally identifiable information does not need to be reported?

While every dollar paid to a research participant is income, AU is accepting the risk of not reporting those cash payments of \$100 and less. Following review of policies from R-1 colleges and universities, Business & Finance and the Provost's Office collaborated to agree on this dollar amount.

4. How are multiple payments to the same participant handled? If each payment is less than \$200 but the total payments to the participant exceed \$200, does the individual need to register through the AU Vendor Center?

Yes the individual should register through the AU Vendor Center and receive payment via check or direct deposit on a vendor voucher.

5. When preparing vendor vouchers compensating participants over \$100, do those payments need to be made in \$100 increments?

No, payments made on vendor vouchers can be made in any dollar amount to the participant.

6. Do students or employees need to register through the AU Vendor Center to receive payment on a vendor voucher?

No, payment will be made using the individuals Banner assigned student or employee ID number.

7. Why are human subject participants treated differently by Auburn depending on whether they are AU employees, AU students, or individuals not affiliated with AU?

While from a research perspective human participants are treated consistently per the IRB, federal tax law prescribes different treatment for participants depending on their relationship with the university.

8. How long should campus departments retain departmental records related to Human Participant Incentives? The Fund Custodian should ensure proper safeguards of departmental records related to participant incentives. Records retention should follow the below:

- If the incentives are associated with a research project, retain related records in the department for 1 year after completion of the final report.
- If the incentives are not associated with a research project, retain related records in the department for 1 year after completion of the project.

AU Student Participants

9. Are payments to students taxed under the federal financial aid guidelines?

Under federal guideline 34 CFR 673.5(c)(1)(xiii) and FSA Handbook, payments made to students are reviewed to ensure federal financial aid does not exceed cost of attendance not taxable status.

10. Do students need to register through the AU Vendor Center to receive payment on a vendor voucher?

No, payment will be made using the individual's Banner assigned student ID number.

11. Does the type of payment, i.e. compensation vs award, affect whether Student Financial Services needs to review participant incentive payments to AU students?

Yes. If the payment is compensation- employee payment-which would go through Payroll- then SFS does not need to review since it is a student working for wages. If the payment is an award/incentive, i.e. participant incentive, SFS must review to make sure the cost of attendance is not exceeded. The student will receive the full amount of the incentive even if cost of attendance is exceeded, however their aid would be reduced by the amount of the loan they received. In such case, this is still a benefit to the student since it is less money to repay.

12. When a human participant is a student and also an AU employee, does this classify them as an employee rather than a student or is there dual classification? If the payment is cash or cash equivalent of \$100 or less, no distinction is necessary. If the payment is paid greater than \$100, the participant will have dual classification. The participant's employment status will be used to properly report the payment for tax purposes, and the amount of the payment will be included on the employee's W-2. Since the participant is also a student, the amount will be reviewed to ensure the payment does not cause the participant's federal financial aid to exceed the university's cost of attendance.

Gift Cards

13. Must gift cards used as incentives be purchased through Amazon MTurk?

If using a Purchasing Card to purchase the gift cards then they must be purchased through Amazon. A cash advance can be used to purchase other types of gift cards if the researcher prefers not to provide cash payments to participants.

14. Are Visa gift cards valued at \$100 or less a form of "non-cash incentive" exempt from tax and financial aid considerations?

No, all gift cards are cash equivalents and do not fall under the tangible property provisions.

Non-cash Incentives

15. What does annual value mean in regards to non-cash incentives?

Annual value refers to non-cash incentives provided on a calendar year basis. Non-cash incentives provided to participants with total value under \$100 for the calendar year are not taxable.

16. What tracking is required for non-cash incentives?

The value of non-cash incentives provided to human participants should be tracked for a calendar year. If the total value exceeds \$100 within the calendar year then the entire amount is taxable to the recipient.

While there is not a required format for tracking the payments, suggested content includes participant's full legal name, mailing address, SSN (?), the non-cash incentive provided and its value. The information can be collected on an internally developed spreadsheet.

17. Is a signed receipt required for providing participants with a small dollar token incentive, such as a logo squeeze ball?

The PI/Fund Custodian should retain acknowledgement that the participant received the item. Signature on an internally developed log would be sufficient.

Foreign Nationals

18. Can foreign nationals participate in studies and receive incentives?

The Visa type of a Foreign National defines if the person can receive incentive payments. If the Foreign National is uncertain if they can receive income as a human participant in a study/project, they should seek guidance from the Office of International Programs. It is in the individual's best interest to be aware if their visa type allows them to receive incentive payments.

Human Participant Incentives Guideline Procedures

Appendix A: Process Flow

| Value of \$100 or less | Requirements & Processing |
|---|--|
| Cash or Cash equivalent Non-cash Tangible Property | <ul style="list-style-type: none"> • Signed receipt or acknowledgement of payment kept on file with the PI/Fund Custodian • Non-cash tangible property, track the value of the item(s) provided to the participant • Best Practice: Collect full legal name of the participant and keep on file with PI/Fund Custodian |
| Value of \$100.01 to \$200 | Requirements & Processing |
| Check/Direct Deposit Non-cash Tangible Property | <ul style="list-style-type: none"> • Process payments via Multiple Vendor Voucher • U.S. Citizen: W-9 • Foreign National: W8BEN • AU Employees & Students: Include the participant's Banner ID on the payment voucher • Non-cash tangible property, track the value of the item(s) provided to the participant; property exceeding \$100 in total value to the participant is subject to taxation |
| Value over \$200 | Requirements & Processing |
| Check/Direct Deposit Non-cash Tangible Property | <ul style="list-style-type: none"> • Process payments via Multiple Vendor Voucher • U.S. Citizen: Complete vendor record in AU Vendor Center • Foreign National: Complete vendor record in AU Vendor Center • AU Employees & Students: Include the participant's Banner ID on the payment voucher • Non-cash tangible property exceeding \$100 in total value to the participant is subject to taxation; vendor record through AU Vendor Center is required |