

# Michigan Technological University

## Procedures For Human Subject Research Compensation

Effective 01/15/2024

The following are required procedures for researchers who plan to compensate research subjects.

### **Keeping Payment Logs**

Researchers who are compensating subjects must keep a log of payments for potential auditing purposes. This log must include the study title and IRB approval number, plus dates, amounts given to each individual, and (if the study is not anonymous) either names or individual code identifiers linked to names stored separately.

For studies paying no more than \$100, the dates and amounts from the logs (plus the names if the study is not anonymous) must also be reported to Financial Services and Operations (FSO). This must be done upon completion of the study, and at the end of each calendar year if the study is ongoing.

### **Tax Reporting**

Researchers must also follow FSO tax reporting procedures. These vary according to whether researchers know that subjects are nonresidents for tax purposes. Researchers will be considered to know that a research subject is a nonresident for tax purposes if:

1. The research protocol requires that the subject be a nonresident for tax purposes, or;
2. The subject declares to researchers that they are a nonresident for tax purposes, or;
3. Anything else learned by researchers reveals that the subject is a nonresident for tax purposes.

### **Subjects Who Are Known to be Nonresidents For Tax Purposes.**

All payments to people in this category are subject to Federal income tax withholding at the time of payment, and subsequent reporting to the IRS. This means:

1. Payments can only be by university check.
2. Subjects must fill in a W-8BEN form which the researchers will give to FSO to arrange for payment.
3. FSO is obliged to withhold 30% Federal income tax on the payments, and issue 1042-S forms to the subjects at calendar year end.

If researchers want to ensure that these subjects receive the full net amount stated in recruitment and consent materials, they must arrange with FSO to increase their before-tax payments accordingly, i.e. to net compensation divided by 0.7. This grossed-up amount will be charged to the research index.

### U.S. Citizens and Residents For Tax Purposes

Payments to subjects in this category must be reported to the IRS if the subject receives \$600 or more from the university in any given year.

However, in order to keep track of whether an individual reaches the \$600 limit, the university also requires that all payments over \$100 to subjects in this category be made through FSO. This means:

1. Payments over \$100 can only be by university check.
2. For payments over \$100, subjects in this category must fill in a W-9 form which the researchers will give to FSO to arrange for payment.
3. If a subject in this category is paid more than \$600 by the university in a given year, FSO will issue them a 1099-NEC form.

Subject's Status	Amount Paid	Payment Type Restrictions	Tax Reporting to FSO	Anonymity	Must a Log be Kept?	What Log Elements Must be Sent to FSO?
Nonresident for tax purposes	Any	Check only	W-8BEN, leading to tax withholding and issuing a 1042-S	Not possible	Yes	None
U.S. citizen, or resident for tax purposes	Up to \$100	None	None	Possible	Yes	Amounts and dates. Plus names if the study is not anonymous.
U.S. citizen, or resident for tax purposes	Over \$100	Check only	W-9 form, possibly leading to issuing a 1099-NEC	Not possible	Yes	None

Summary Table of Compensation Requirements

### Providing Subjects With The Right Tax Forms

In a study where subjects are paid more than \$100, researchers should offer both a W-9 and a W-8BEN form, along with a reminder that subjects should use the W-8BEN if they are nonresidents for tax purposes.

## **Conducting Anonymous Studies**

Because of reporting requirements, subjects cannot be paid anonymously if:

1. They are known to be nonresidents for tax purposes, or;
2. They are paid more than \$100.

In both of these situations a study may of course keep data separate from identifiers, and perhaps even make it impossible to link the two. But researchers and FSO will still know the identities of those who have been paid to participate, so this must be made clear in the study's informed consent process (see below).

## **Adding Informed Consent Elements**

Informed consent materials should clearly and accurately indicate any required reporting for compensation, as well as any consequences for anonymity. Some acceptable language to use in different situations is as follows:

### **If Subjects Are Known to be Nonresidents For Tax Purposes**

“To be compensated for participation in this study, you will be asked to complete a W-8BEN form. You will be paid by check from Michigan Technological University, and will receive a 1042-S form at the end of the year.”

### **If The Compensation is Over \$100**

“To be compensated for participation in this study, you will be asked to complete a W-9 form, or a W-8BEN form (if you are a nonresident for tax purposes). You will be paid by check from Michigan Technological University, and may receive either a 1099-NEC or 1042-S form, respectively, at the end of the year.”

### **If The Study is Not Anonymous, and Compensation is no More Than \$100**

“The MTU Financial Services Office will be told your name and the amount paid to you, but no other information about your participation in the study.”

### **If Anonymity is Not an Option Because of Tax-Reporting Requirements**

“Because you will be paid by check, Michigan Technological University will have a record of you participating in the study” [researchers can then add additional details such as “however, beyond this...” followed by a discussion of confidentiality protection measures and any separation of data from identifiers].