



Quick Guide to Hiring an Independent Contractor

Overview

Many CSU departments request individual services from consultants or others possessing unique expertise not available within the University. Federal and State tax and labor laws require Colorado State University to ensure that individuals who provide services are properly classified as an employee OR an independent contractor.

Definitions:

Consultant: An Independent Contractor who provides professional advice or services in one or more specialized areas of knowledge. A consultant will usually have a particular skill or expertise not available within CSU, and the need for their services commonly does not extend beyond a limited period of time in which to complete a specifically defined project. Consultants are usually paid by the project, not by rate and time (e.g., dollars per hour or per month)

Employee: An individual who performs services for the University if the University has the right to control and direct the individual with regard to the result to be accomplished and the process by which the result is accomplished. Any person who performs services for CSU who is not an Independent Contractor as defined herein is an employee.

Independent Contractor: An individual or business entity who renders a service to CSU under the conditions established by the IRS for independent contractors. They typically have a separate workplace, are not supervised, and have a set of skills not available elsewhere within the organization. They are not entitled to employee benefits, are not covered by worker's compensation, and their pay is usually not subject to income tax withholding.

How To:

The requesting department must follow the proper process per FPI 2-9 to determine if the services to be performed constitute the use of an individual contractor or employee. Refer to the link below:

http://busfin.colostate.edu/Resources/Fin_Rules_Procs.aspx

Upon determination that the service relationship is that of an independent contractor, the requesting department will initiate a purchase requisition and attach the form. Requests exceeding \$10,000 will route to Procurement Services for assignment to a PA. Note: service requests valued at \$10,000 or less requiring a contract signature must be increased



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to \$10,001 to route the request to Procurement Services. The value will be reduced when a PO is issued.

Purchase requests should include a Scope of Work commensurate with the total spend and divided into tasks if applicable. Include any proposed payment milestones/deliverables to facilitate progressive payments. If the department believes the services are a sole source, the Request for Sole Source form should also be included with the purchase requisition. The assigned Purchasing Agent (PA) will work with the department to determine if the sole source is justified.

Considering all information, the PA will determine the source selection method including the requirement to issue a public solicitation. If a solicitation is required, the PA will work with the department representative to develop a solicitation for proper posting.

As with any purchase, the assigned PA will work with the department representative and guide them through the process including any requirements to execute a full services contract.

References

For additional guidance, refer to the link below

<http://busfin.colostate.edu/Resources/Training.aspx>