

General Compensation Guidelines to Pay an Individual

Before you request that the University pay an individual other than through payroll (i.e. via an AP check rather than a payroll-generated check) for performing work or providing a service, please be sure it is legal to do so!

All requests for such payments are subject to audit in order to assure the University complies with relevant labor laws. It is illegal to pay employees for work performance off the payroll (or under the table) and the definition of “employee” can be complicated.

The IRS has established criteria to help differentiate between employees and independent contractors. Generally, if a Pepperdine staff or faculty member assigns the work, controls the way it is done, trains the worker, provides equipment and material, and bears any liability risks associated with the work, the individual is a University employee.

Workers in business for themselves, who have other customers for whom the same service is performed, who perform the services in their own determined manner, who provide or pay for supplies and materials used, who may themselves hire helpers and who run the risks of financial loss through performing the contracted work MAY qualify as outside contractors.

An employee may be disciplined or terminated for failure to perform. An outside contractor may not. But he/she may be sued for breach of contract.

An employee enjoys the protections of the University’s workers compensation insurance in case of on-the-job injury. An outside contractor must provide his/her own insurance coverage. The University requires at least \$1 million in coverage of outside contractors.

Once it is determined that the worker must be treated as an employee, all relevant labor laws and University policies apply. Appropriate administrative approval must be obtained for temporary or student employees. I-9s must be completed in a timely fashion. Timesheets must be completed and submitted. Only legal rates of pay, not flat amount payments can be approved.

Contact Human Resources if you have any questions about the legal status of the individual you would like to pay. It can be a complicated conversation, but it’s much easier BEFORE you’ve committed to pay someone than when H.R. calls you to review a requisition!

Help us do it right the first time!!

EXAMPLES:

A person who created a video for a campus program is an employee.

A person with his/her own established video-production company may be paid as an outside contractor for making a video for a campus program. The company would need to have a W-9 on file with AP and invoice the University.

A current nonexempt employee may be paid for a special project outside of his/her normal duties but it must be at an approved hourly rate of pay and substantiated by timesheets. If overtime is involved, it must be paid correctly.

A current exempt employee may be paid a flat rate for performing a special project/service. However if the special work is “nonexempt” in nature, it may jeopardize the regular exempt status while the special service is being performed. It may be necessary to change the regular assignment to nonexempt.