

**Michigan State University Non-Resident  
Independent Contractor (IC) Status – Determination and Documentation (NRAICSDD)**

Michigan State University must comply with Internal Revenue Service (IRS) regulations in our role as an employer. Failure to do so can result in assessments of taxes, penalties and interest. One University responsibility in this regard is the accurate categorization of workers as either employees or as IC's, with the corresponding tax withholding and reporting functions inherent in each category of worker. Categorizing a worker as an IC exposes the University to the greatest amount of risk in this regard, since the IRS assumes that all workers are employees unless it can be documented otherwise. This form will assist you in determining the proper category (employee or IC) of workers you intend to hire consistent with IRS regulations and the common law rules.

This form must be completed for every engagement in which the aggregate compensation to the contractor will equal or exceed \$600. Multiple payments against the same contract may be documented by copies of an original, completed form. This form does not replace a contract or an invoice.

Contractor Name: \_\_\_\_\_ Tax ID Number: \_\_\_\_\_

JUSTIFICATION CATEGORY	CHECK IF APPLICABLE
Each category (I and II) below stands on its own. Satisfaction of any one category in its entirety will serve as justification to compensate a worker as an independent contractor rather than an employee.	
<b>I. Incorporated Status</b>  (If the condition in this section is met and documented, the worker may be paid as an independent contractor.)	
A. The worker provides this service as an incorporated entity (i.e. incorporated, inc., corporation, corp. limited, ltd, PC).	
<b>II. Essential Relationships With Worker Justifying Contractor Status</b>  These factors are based on the common law rules. (If all of these conditions are met and documented, the worker may be paid as an independent contractor. Failure to satisfy one or more of the following factors will generally invalidate contractor status – the worker must be paid as a University employee. If the worker fails this, and in the department's judgment other factors may still support contractor status, forward documentation of this to Accounts Payable for consideration BEFORE engaging the worker as an independent contractor.)	
A. The University does not control, nor does it have the right to control, the details of how or when the work is done. The University only stipulates the end result contracted for with the worker.	
B. The worker offers similar services to the public. Attach copy of business card and/or yellow/business pages listing, along with a list of at least three clients for whom work has been performed during the past twelve months as documentation. The client references should be listed on the back of this form.	
C. The worker is not a University employee, nor has the worker been a University employee within the three months just preceding the start of this contractual relationship. If the worker is doing business under a business name, none of the principals of the company are University employees.	
D. Neither the University nor the worker has the right to terminate the relationship without violating contractual obligations and incurring the risk of consequential penalty.	
E. By fulfilling this contract, the worker has the opportunity for either a profit or a loss.	
F. The work performed by the worker is not integral to the functioning of the University.	
G. The relationship between the University and the worker is limited in duration (back-to-back, recurring contracts could be considered to be a continuing relationship rather than separate, finite relationships).	
If neither of the above categories (I or II) are satisfied in their entirety, the worker must be hired through the appropriate personnel office and paid as an employee through the University payroll system.	

**This is a two-page form. Please complete page two provided on the next page.**

Contractor References

If the worker has been determined to be an independent contractor based on the factors stipulated under Category II, please use this space to list the client references required under II.B.

First Client Reference:

Second Client Reference:

Third Client Reference:

My responses to these questions are true and accurate to the best of my knowledge. Based on my responses and the guidance provided by this determination form, the accompanying *Guidelines for Completion of NRAICSDD* form and by Section 76 of the **Manual of Business Procedures**, I am requesting that this worker be paid as an independent contractor. I am submitting this form along with a completed direct payment voucher, *Professional Personal Services Contract With Independent Contractor* form, and contractor invoice (if required by University policy) to pay the worker for services rendered.

I will notify Voucher Processing at 353-4882 promptly if our relationship with the worker changes significantly during the course of our contract. I understand that if the worker is paid as a contractor and the IRS determines that the worker should have been paid as an employee, I may be called upon to testify as to the accuracy of the information I have provided on this form.

\_\_\_\_\_  
Departmental Representative Signature  
(Optional)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Unit Administrator Signature  
(Required)

\_\_\_\_\_  
Date