



## GUIDELINES FOR INDEPENDENT CONTRACTOR AGREEMENT AND PROFESSIONAL SERVICES AGREEMENT

An independent contractor relationship exists when the District has the right to control *only the result of the service*, not the manner of performance. Arrangements to secure the services of an Independent Contractor may be entered into only when the services are so unique, specialized, or highly technical that they cannot be performed economically or satisfactorily by existing District Staff. Union contracts protect worker's rights to perform work, therefore consult Human Resources if you are unsure as to whether a current position exists which can reasonably perform the service. A district employee cannot be engaged as an independent contractor. Restrictions are imposed by the Internal Revenue Service and employers are subject to severe penalties. This means that a district employee, whether working on a full-time, part-time, hourly, or substitute basis, cannot be hired as an independent contractor.

Independent Contractors fall into two categories:

Personal services performed by independent contractors are generally infrequent, technical, or unique functions performed by individuals, rather than partnerships, firms, or corporations. When departments choose to retain an individual (using Social Security # as their TIN) for services other than through normal employment procedures, they must ensure that no employer-employee relationship will exist with that individual. Check the Independent Contractor Agreement box.

Professional services are performed by entities identified by an Employer Identification Number (EIN). Examples include auditing, advertising, management and systems consultation, research, and training. Check the Professional Services Agreement box.

According to IRS Common Law Standards for Independent Contractors:

- provide atypical, infrequent, and non-recurring services
- provide similar services to other clients and/or businesses outside of the District
- engage in entrepreneurial activities in an established business, at risk for profit or loss
- receive little or no training, supervision, or instruction from the District
- currently do not receive a paycheck from nor is an employee of the District
- are responsible to determine the means and methods to use to perform services
- provide their own supplies, equipment, etc. necessary to perform services and cost for such will be included in rate or total fee
- maintain commercial general liability insurance to protect against work-related injuries and damage to District property
- will set their own priorities on time, amount of effort, and hours of work
- do NOT provide services that are similar to those currently being provided by District employees

INSTRUCTIONS FOR COMPLETING INDEPENDENT CONTRACTOR  
AGREEMENT/PROFESSIONAL SERVICES AGREEMENT

A fully executed contract must be in place *prior* to services commencing.

Page 1 – Services and Compensation

- Date agreement is entered into, including day, month, and year.
- Full name of the contractor/consultant, whether an individual or a company.

Section 1 - Services to be performed:

- Provide a description of the service(s) to be rendered, including dates, times, and materials to be provided. Attach a separate sheet of paper labeled “Exhibit A” if space provided is insufficient and include the phrase “as described in Exhibit A” in this section.

Section 2 - Compensation for the services and materials

- Compensation: record the amount the contractor/consultant is to be paid. Include any amounts to be reimbursed for travel expenses. This amount represents the total encumbrance for services rendered under this contract.

Page 3 – Contractor Signature, etc.

- Contractor/Consultant Signature
- Contractor’s printed name, title, social security number or tax ID number, phone number and mailing address

Page 3 – Program Administrator approval and budget code

- District Program Administrator’s Signature: *your appropriate dean, director, or vice president* (both signature and printed name with date).
- Grant Project Director’s Signature (as applicable)
- Budget code. Use object code 511000 for Independent Contractor Agreement (individuals using their SSN) and object code 511200 for Professional Service Agreements (businesses using a TIN).

Page 3 – District Signatures

- Associate Superintendent/Vice President, Finance and Administration Signature
- Superintendent/President Signature

Attach the following to the contract:

- IRS Questions to Determine Whether the Individuals Providing Services are Employees or Independent Contractors (also known as the ABC Test Requirements)
- Contractor’s W-9
- EDD Form DE 542
- California Withholding Exemption Certificate Form 590 or California Resident and Nonresident Withholding Statement Form 592 (Form 592 is required for individuals/companies residing outside of California.)
- SAM.GOV report – Required for Federal Grants. Recommended for non-Federal Grants and expenses which *may* be transferred at a later point in the year to a grant.

Forward the completed Independent Contractor Agreement/Professional Services Agreement along with all required forms to the Business Services Office. Allow 5-10 business days for review and return of the agreement for further processing.

## INSTRUCTIONS ONCE YOU RECEIVE A FULLY EXECUTED CONTRACT

Provide a copy of the contract to the independent contractor for his or her record and confirm date services can begin.

The Business Services Office files the EDD Form 542 with the Employment Development Department. The date of filing is noted on the form and is included with the completed packet that was returned to you.

Prepare the purchase requisition detailing the same basic information as on the agreement and include an estimated total cost. The purpose of the requisition is to obtain administrative expenditure authorization and to establish an encumbrance for the total cost of the agreement. Attach a fully executed agreement and supporting documents (IRS Questions, W-9, EDD, 590/592 form, SAM.GOV) before launching your PR into workflow.

When the contractor has performed the services satisfactorily, the appropriate administrator should initial the invoice provided by the contractor and email the following to [accountspayable@hancockcollege.edu](mailto:accountspayable@hancockcollege.edu) for payment processing:

1. Copy of Independent Contractor Agreement
2. Purchase Requisition and/or Purchase Order Number
3. Payment Request (Invoice)

If the agreement requires a service to be performed over an extended period of time, the contractor should invoice on a monthly basis. If the service is performed over a short period of time (e.g. 3-day workshop), the contractor should invoice immediately *after* the service is completed. Allow 3-4 weeks to process warrant.