

Business Services

**Payment of Incentives to Research
 Participants Policy and Procedures**

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PURPOSE

The purpose of this policy is to provide guidance for the payment of incentives to human subjects participating in research projects and to determine when the gathering of research participant tax information is required.

POLICY

The University of Wisconsin-La Crosse (University) often conducts research projects involving the use of research participants. To encourage participation in university research projects, the departments may offer and pay an incentive to research participants per this policy. Prior to conducting research and paying an incentive to research participants, the appropriateness of an incentive payment to a research participant in a human subject research protocol will be determined by the University's Institutional Review Board (IRB). The amount and form of incentives should be identified in the proposed research project budget and are subject to the limits detailed in grant and contract guidelines.

Payments to research participants must be reported every calendar year in accordance with the Internal Revenue Code (IRC).

Incentives are not considered prizes, awards, or gifts as defined in the [University of Wisconsin \(UW\) System Financial Administration Policy 330: Prizes, Awards, and Gifts](#) or [the UWL Business Services Prizes, Awards, and Gifts Policy](#).

Definitions

Institutional Review Board

The University's [Institutional Review Board \(IRB\)](#) is responsible for protecting the rights and welfare of human subjects participating in research projects. The IRB acts according to policies set forth by the United States Department of Health and Human Services Public Health Service Act as amended (Title 45 CFR PT 46). Compliance with these federal regulations not only safeguards human subjects and the institution sponsoring the research project, but also protects the researcher. The membership of the IRB is appointed by the Provost/Vice Chancellor with concurrence of the Chancellor and is composed of university faculty and community representatives. The IRB should review and approve both the amounts and methods of incentivizing to ensure they are not coercive and do not present undue influence to participate or to continue participation.

Research

Refers to a systematic investigation designed to develop or contribute to generalized knowledge. It is understood that such research will be disseminated by publication or in a public or professional forum.

Human Subjects

A volunteer participant in a research study is known as a human subject. Federal regulations define human subjects as living individuals from whom a researcher obtains either identifiable private information or data through intervention and/or interaction with the individuals.

Research Participants

Any person participating in a research study is known as a research participant [human subject]. Research participants who are United States (US) tax residents may or may not be employees of the university. It is generally assumed that employees who are research participants will perform services that are substantially unrelated to his or her regular job. In this case, per the Internal Revenue Service (IRS), incentive payments are not considered wages and these payments to university employees are not required to be processed through the Human Resources payroll system. Payment of incentives to US persons who are or are not university employees is the same.

If the services an employee performs as a research participant are substantially similar to his or her regular job duties, the incentive payment must be paid through the payroll system.

Research participants who are Non-Resident Aliens (NRA) may or may not be employees of the university. The university must follow various immigration, Homeland Security, and IRS requirements regarding payments to known NRAs (including foreign students). Research participants who are NRAs must be paid by check via a Payment to Individual Report (PIR).

Non-Resident Aliens (NRAs)

An individual who is a citizen of any country other than the United States is a non-resident alien (NRA). These individuals are treated differently for tax purposes than US tax residents.

United States (US) Tax Resident

A person who is subject to US tax reporting rules. US tax residents include:

- US citizens
- Permanent residents: persons who are allowed to reside indefinitely within a country of which they are not citizens. For tax purposes, permanent residents are subjected to the same rules that apply to US citizens and are taxed on their worldwide income
- Resident aliens for US tax purposes: Defined by the IRS as foreign nationals who satisfy the substantial presence test. These individuals are taxed under the same rules that apply to US citizens and are taxed on their worldwide income

Principal Investigator (PI)/Researcher

For purposes of this policy, the principal investigator (PI) or the researcher is the person in charge of conducting a research study with human subjects as participants.

Incentive Payments

Incentive payments are low value payments or items given to individuals to encourage them to participate in university research. In order to be an incentive, the value of the payment or item must be minimal, typically less than \$10.00 per item, and should be provided to all persons in the research project, regardless of whether they complete the activity. Incentive payments include small dollar items, cash, checks, or gift cards depending on the specifics of the individual research projects and the amount to be paid. Funding is limited for incentive payments that include drawings, raffles, or other 'chance to win' offers. Additionally, if drawings, raffles, or other 'change to win' offers are included as part of research incentives, a consult with the ORSP to review consideration of the offer is expected.

De minimis Incentive Payments

Individual incentive payment amounts under \$50 are generally considered by the university to be de minimis in nature. However, individual payments amounts under \$50 are not considered de minimis if paid to a NRA.

Funding

- Use of Program (PR) Revenue or Foundation funds is preferred.
- General Purpose Revenue (GPR) funds may be used.
 - GPR funds may not be used to fund drawings, raffles, or other 'chance to win' offers.
- Extramural funds, such as 133, 144, 233, and blended funding sources may also be used.

Forms of Incentives

Form of Incentive	Description	Examples	Additional Information
No Value Items	Items of no cost to the University, provided by third-party vendors	<ul style="list-style-type: none">• Coupons• Admission tickets• Tokens	
Small Value Items	Tangible item or object of little value, typically less than \$10.00 per item	<ul style="list-style-type: none">• T-shirts• Pens, key chains• Books, dvds• Souvenir items	
Single Cash Payment under \$50	Incentive amount distributed to PI via PIR		
Single Check Payment \$50 or more	Requires payment by university check to each participant via PIR		W-9 required for each participant
Gift Cards or Gift Certificates	Treated the same as Single Cash Payment under \$50		Use of p-card is prohibited

- PIs must securely maintain the appropriate documentation needed to support payments to recipients.

- PIs are personally accountable for the research incentives (cash, checks, items, gift cards, etc.). The monetary value of the undistributed incentives must be repaid to the university if unused in the research study.
- Funds requested for incentives are expected to be issued within 90 days.

Reporting Requirements

Payments of \$600 or more made during a calendar year to a US tax resident must be reported to the IRS on IRS Form 1099-MISC (Miscellaneous Income) in Box 3, Other Income.

All payments made in a calendar year to a research participant who is an NRA must be reported on Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholdings, and could be subject to 30% federal income tax withholding.

To satisfy these reporting requirements, the university is required to obtain the research participant's name, mailing address, and Taxpayer Identification Number (TIN), which can be the research participant's Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN). This information should be obtained by requesting the participant complete an IRS Form W-9 (Request for Taxpayer Identification Number and Certification) or an IRS Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting - Individuals)

For de minimis payments of under \$50, PIs are encouraged to obtain the research participant's name, mailing address, and TIN, to the extent that collection of this information is consistent with the confidentiality protections provided to the research participant per the University IRB. If the PI is aware that the research participant will be receiving multiple de minimis payments of under \$50 that will total \$600 or more in a calendar year, the PI must obtain the required taxpayer identification information by requesting the individual complete an IRS Form W-9.

The informed consent and any applicable HIPAA documents required for use in a research study do not need to describe the collection of information from research participants when that information is solely used to process incentive payments.

PROCEDURES

1. Understand basic IRS rules the university must follow as payor of incentive payments to research participants. The IRS treats incentive payments to research participants, whether cash, check, gift card, or small value items, as taxable income to the recipient. This means the recipient must report the payment on their income tax return. The tax treatment of incentive payments depends on the amount paid and the recipient's tax status.
 - a. US Tax Resident. If the university pays \$600 or more to a US tax resident during a calendar year, the university is required to report the payments to the IRS and issue the recipient an IRS Form 1099. Therefore, the PI must require the research participant complete an IRS Form W-9 to obtain the recipient tax information.
 - b. Non-Resident Alien (NRA). If the university makes any payment to a NRA, regardless of dollar amount, the university is required to report the payment to the IRS and issue the recipient an IRS Form 1099. Therefore, the PI must require the research participant complete an IRS Form W-8BEN to obtain the recipient tax information.

2. Pay participants according to tax reporting requirements. Generally, payments of under \$50 can be made by cash or gift card and do not require the collection of recipient tax information, while payments of \$50 or more must be made by check and require the collection of recipient tax information.
 - a. Small value item to any participant
 - i. Purchase with an university procurement card
 - ii. Submit itemized purchase receipt(s) with university procurement card per procurement card policy
 - b. Single cash payment or gift card under \$50 paid to US tax resident participant
 - i. Complete PIR (with supporting documentation) requesting check issued to PI
 - ii. PI uses check to obtain cash or to purchase gift cards
 - iii. Complete the Research Participant Incentive Payment Log as cash incentives and/or gift cards are distributed
 - iv. If all cash and/or gift cards are distributed, submit completed log and gift card receipt (if applicable) to Business Services. If not all cash and/or gift cards are distributed, submit to Business Services the completed log, gift card receipt (if applicable), and check made payable to UWL in the amount of cash and/or gift cards undistributed.
 - c. Single check payment of \$50 or more paid to US tax resident participant
 - i. Require the research participant complete an IRS Form W-9.
 - ii. Complete a PIR requesting check be issued to the research participant.
 - iii. University check given to PI for distribution to research participant.
 - iv. Complete a Research Participant Incentive Payment Log as incentive checks are distributed.
 - v. Submit completed log and undistributed checks, if applicable, to Business Services.
 - d. Payment made to a NRA must be by university check only
 - i. Require the research participant complete an IRS Form W-8BEN.
 - ii. Complete a PIR requesting check be issued to the research participant.
 - iii. University check given to PI for distribution to research participant(s).
 - iv. Complete a Research Participant Incentive Payment Log as incentive checks are distributed.
 - v. Submit completed log and undistributed checks, if applicable, to Business Services.
3. Use an appropriate payment method.
 - a. Small value items should be purchased with an university procurement card.
 - b. Cash payments should be made to research participants by completing a PIR issued to the PI. The PIR amount should be for funds expected to be disbursed within 90 days.
 - c. Gift cards should be purchased by the PI using the funds requested by completing a PIR issued to the PI. Gift cards should be distributed within 90 days of purchase. Gifts cards cannot be purchased with an university procurement card.
 - d. Check payments must be made to individual research participants by completing a PIR issued to the research participant.

4. Provide required documentation. PIs must properly complete and securely maintain the appropriate documentation needed to support payments to recipients.
 - a. The IRB approval letter must be attached to the PIRs and procurement card statements.
 - b. The approved research budget/award letter including budget justification must be attached to the PIRs and procurement card statements.
 - c. Research Participant Incentive Payment Log must be completed as cash, check, and gift card incentive payments are distributed to research participants. Completed logs and undistributed cash and/or checks must be submitted to the Business Services Office.

FORMS

[Research Participant Incentive Payment Log](#)

[IRS Form W-9](#) Request for Taxpayer Identification Number and Certification

[IRS Form W-8BEN](#) Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting—Individuals

REFERENCES

UWL Institutional Review Board for the Protection of Human Subjects: [A Researcher's Guide for Submission of Protocols](#)

[UWL Institutional Review Board \(IRB\)](#)

[UW System Financial Administration Financial Policy 330: Prizes, Awards, and Gifts](#)

[UWL Business Services Prizes, Awards, and Gifts Policy](#)

[UW-Madison Payments to Research Participants Policy](#)