Human Research Participant Payments

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- ✓ Background for changes
- ✓ What changes were made
- ✓ SSN/TIN & IRS Tax Compliance
- ✓ Gross-up payments
- ✓ Training

BACKGROUND

- Payment Issues
  - Delays in payments due to approvals needed (check payments, RPPF cash, ordering/use of gift cards)
  - Inability to track/difficulties in auditing use of funds
  - Theft/misappropriation of funds
- Tax Compliance
  - Payments to Human Research Participants are considered taxable income to the participant regardless of dollar amount or payment method.
  - Emory is required to withhold tax and report on payments to non-U.S. residents (in U.S. on visa) regardless of dollar amount.
  - Internal Revenue Service has issued penalty notices to Emory for issuing 1099s with invalid/no Tax ID numbers (SSN/TIN) on the forms. Emory is required to withhold tax (backup withholding) and report on payments where the participant has not provided a valid SSN.

Background - Internal Revenue Code Rules/Regulations

- Internal Revenue Code (“IRC”) sections & Regulations (“Reg”)
  - IRC Sec 6109, Reg 301.6109-1(c) – authority to request SSN as well as mandate to provide SSN when requested
  - IRC Sec 3406, Reg 31.3406-1 – authority and requirement to backup withhold on payments when SSN not provided
  - IRC Sec 1441, Reg 1.1441-1 – authority and requirement to withhold tax on payments to foreign persons
- No minimum dollar thresholds in IRC or Regs – applies to first dollar paid
  - Payments of cash or cash equivalents (gift cards/certificates) are not considered de minimis under IRC or Regs

Revised Emory Policy 7.28 - Changes

- For total participant payments more than $25, Clincard is the required payment method
  - Studies where TOTAL payments to a participant are $25 or less may request to use an alternative payment method. Approval is required
- For participant payments $100 or more in a single payment or in total, the study team is required to obtain W-9 tax identification information – Name, SSN, and address.
- ClinCard training required before using the system and every two years thereafter
- Descriptions of Roles and Responsibilities

ClinCard

- ✓ What is ClinCard
  - ✓ ClinCard is a prepaid debit/gift card
  - ✓ Functions like any other prepaid debit/gift card
    - ✓ Payment options under ClinCard include:
      - ✓ Physical Visa card
      - ✓ Virtual Visa card
      - ✓ Direct bank transfer (ACH)
  - ✓ Participant information (Name, address, SSN/ITIN) stored on secure Greenphire system
    - ✓ Allows for tracking total payments across all Emory studies
    - ✓ Aids in maintaining compliance with IRS regulations on payments to participants

ClinCard

- ✓ What information is NOT stored in ClinCard
  - ✓ Personal Health Information (“PHI”)
  - ✓ Details of the study
    - ✓ Only includes study number and name (as submitted for ClinCard setup) –
      - ✓ For charging any fees and deducting payment totals from the appropriate study
      - ✓ For follow up in the event there is an issue with a payment to a particular participant
    - ✓ No study details, disease status or diagnosis are included in this system

Tax Withholding/Gross ups

- Payments made via ClinCard without valid Tax ID (SSN/ITIN) will have 30% withheld as backup withholding.
- Backup withholding begins after TOTAL participant payments in ClinCard reach $100 in a calendar year
- If withholding occurs, studies can **ELECT** to gross up payments so that participant receives agreed upon amount in net cash.
- Every participant who either has withholding or gross up WILL be issued a 1099-MISC for the year regardless of total income
  - Total income will include grossed up amount
  - Form will show the tax withholding/gross up
  - Copy of form is filed with the IRS
  - Participant can claim the tax withholding/gross up on tax return

Example

Example using $150 payment

	Valid SSN/ITIN Entered	Invalid Number & Taxes Withheld	Invalid Number & Payment Grossed up for Taxes
Original Payment Amount	$ 150.00	$ 150.00	$ 150.00
Payment Amount entered into Clincard	$ 150.00	$ 150.00	$ 171.43
Taxes Withheld in Clincard*	$ -	$ 15.00	$ 21.43
Net payment to Participant	$ 150.00	$ 135.00	$ 150.00
Taxable Income to Participant	$ 150.00	$ 150.00	$ 171.43
Amount charged to the Study	$ 150.00	$ 150.00	$ 171.43

*Taxes computed/withheld on amount over $100

- Gross up calculation:
  - Payment Amount/(1 – tax rate)= Amount to be entered in ClinCard for payment
  - Tax rate = 30%
  - Gross up rate = 42.86%

- Any taxes withheld in ClinCard or grossed up will be reported on Form 1099 to participant and can be claimed on the participant's individual income tax return as additional withholding

Participant Data

- Revised Policy 7.28 requires providing participant data, including SSN/TIN information for payments.
- Sensitive information in ClinCard is redacted and cannot be viewed by anyone on the site, outside of limited central tax and procurement personnel for tax filing purposes.
- Reported participant information does not include study details
- Reportable information to the IRS does not include any study details
- Provides increased centralized and secure tracking and reporting

Participant Data

- Study Participant Form must be used if alternative payment method is approved and payments are via gift card or cash
- Information needed on the form is same as information needed for ClinCard system (name, address, SSN)
  - Once submitted, information on form only visible to central tax and compliance personnel
- Requires more administrative time
  - Manual comparisons between studies/ClinCard system
  - Manual validation of SSNs with IRS system
  - Manual computation of Gross up amounts and journal entries
  - Increased email follow ups with study teams

Compliance Elements

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Available:

- ClinCard Training in Brainier
- FAQs on RCRA website
- Forms for payment alternatives & participant information
- Revised policy 7.28

Resources

- **If you have any questions, please contact:**
- General ClinCard inquiries: emoryclincards@emory.edu.
- Tax-related questions: Susan Clark at sclar38@emory.edu.

- **Budget adjustment requests or other subject payment options:**
- For any industry-contracted studies, contact WISC at wisctrials@emory.edu.
- For federally funded studies, contact your School and Unit RAS.
- For all others, contact OCR at ocr_preaward@emory.edu.

Links to Forms, FAQs, Training, etc: see the Office of Research Compliance and Regulatory Affairs Website at: https://rcra.emory.edu/program-effectiveness/human-research-payments.html