

# Independent Contractor Authorization (ICA) Form

## Purpose

To provide guidance on obtaining prior approval for entering a contract with an independent contractor to provide services in exchange for payment for The University of Texas at El Paso (UTEP).

## Regulations

The Independent Contractor Authorization (ICA) form is used in accordance with the [Internal Revenue Service Publication 15-A](#) to properly classify the business relationship between UTEP and the person performing the services. The ICA form is also used to collect all required information and approvals to enter a contract with an independent contractor to provide services in exchange for payment in accordance with Texas Government Codes Sections [2254](#), [2155](#) and [2251](#).

The ICA form is required for all individuals, including businesses operated by an individual as sole proprietorships, that provide services in exchange for payments of over \$250.00 to UTEP with their Social Security Number as their Tax ID. Payments for any amount to a UTEP employee during the current calendar year require an ICA form.

The form must be fully completed and approved prior to the contractor providing services in exchange for payment.

The ICA form is NOT required for the following:

1. Payment for Goods (where no services are provided),
2. Payments to Partnerships (reported to the Partnership's EIN),
3. Payments to Corporations (reported to the Corporation's EIN), and
4. Payments to Individuals for Research Participation.

Independent contractors may only be paid on a fee basis. Independent contractors may not be paid tax-free reimbursements for travel or other business-related expenses. Reasonable expenses which are ordinary and necessary with relationship to the performance of the services, such as transportation, lodging and meal expenses, must be calculated into the fees charged by the independent contractor and included on the invoice for payment.

Business expenses such as lodging and airfare may be paid by UTEP directly to a vendor on behalf of the contractor in accordance with institutional policies and procedures.

UTEP employees cannot pay independent contractors with personal funds and then request reimbursement from the University. Payments to an Independent Contractor must be made directly from the University to the independent contractor.

## Procedures

### **Independent Contractor Authorization (ICA) Checklist**

The Independent Contractor Authorization checklist is the first step of the ICA form process. The responsible department must complete and submit the checklist for approval. The completed checklist will route to the UTEP Payroll Office for review. The Payroll Office will make one of the following determinations:

1. The individual is approved to be paid as an Independent Contractor. The ICA checklist initiator will receive an email notification of the approval with a prompt to begin filling out the ICA form.
2. The individual is not approved to be paid as an Independent Contractor. The ICA checklist initiator will receive an email notification to contact Human Resources, and the ICA form will be terminated.

### **Independent Contractor Authorization (ICA) Form**

The Independent Contractor Authorization form is the second step of the ICA form process. The responsible department must complete and submit the form for approval. This form provides the University with important information related to the services being performed and will serve as the independent contractor agreement, along with the terms and conditions.

New independent contractors must have an approved PaymentWorks registration and supplier ID. The responsible department must send the PaymentWorks invitation to a new independent contractor and ensure the registration is completed and approved before submitting the ICA form.

The Independent Contractor's resume must be attached to the form. All other qualification documents, quotes, statement of work, etc. must be attached to the form, prior to submission.

The completed form will route to the following UTEP offices for review and approval.

1. The funding source approver (cost center or grant).
2. The funding source approver's reports to per PeopleSoft HRMS.
3. Grants Management Accounting, if a grant funding source is used.

### **Contractor Review and Approval of ICA Form and Terms & Conditions**

The Independent Contractor's review and approval of the ICA form and the University Terms and Conditions is the third step of the ICA form process. Once all UTEP internal approvals have been provided to the ICA form, an email notification will be sent to the Contractor's email address provided on the ICA form. The completed ICA form will be attached to the email along with any documents that were attached to the ICA form.

The Contractor will utilize BP Logix to sign/approve the Terms and Conditions. Utilizing the link in the email, the Contractor must provide their signature on the Terms and Conditions and then click sign. The responsible department must provide the Contractor with guidance on how to complete this step.

Once the Independent Contractor's review and approval of the ICA form and the University Terms and Conditions is complete, the ICA form initiator will receive a notification email with all relevant documents: the completed and approved ICA checklist and form, the documents attached to the ICA form and the signed Terms and Conditions.

### **PeopleSoft Voucher Creation/Submission**

The PeopleSoft Voucher creation and submission is the fourth step of the ICA form process. The responsible department must complete and submit the form for approval upon completion of the services detailed within the ICA form being completely and successfully provided to the University.

All ICA form documents must be attached to the voucher prior to submission: ICA checklist completed and approved by the UTEP Payroll Office, the ICA form completed and fully approved, the Terms and Conditions with the ICA form DTN indicated and signed/approved by the Contractor, the Contractor's resume and other qualification documents, statement of work, quotes, etc.

A Wire Transfer Request form must also be attached, when applicable, prior to voucher submission. Independent Contractors which have provided a US Bank account in PaymentWorks will be paid via ACH.

### **Independent Contractor Tax Withholding & Reporting**

The IRS requires that UTEP report payments for services to US person Independent Contractors beyond a specific threshold and requires that UTEP report and withhold a certain percentage of the payment to non-US person Independent Contractors based on the non-US persons' tax country.

1. Form [1042](#) is used to report payments to non-US person Independent Contractors to the IRS. Withholding up to 30% may be required, depending on the non-US persons' tax country. A [Sprintax](#) form may be used determine if the individual qualifies for a tax treaty which would make them exempt from the withholding or reduce the withholding amount. Please note that this process may result in UTEP still being required to withhold the 30%.
2. Form [1099](#) is used to report payments to US person Independent Contractors paid \$600 or more within the calendar year.

### **Applicability**

This applies to all University faculty, staff and departments intending to engage with an independent contractor to provide services in exchange for payment for The University of Texas at El Paso (UTEP).

## **Responsible Party**

Comptroller

Employer's Supplemental Tax Guide — [Internal Revenue Service Publication 15-A](#)

Texas Government Code 2254 – [Professional and Consulting Services](#)

Texas Government Code 2155 – [Purchasing: General Rules and Procedures](#)

Texas Government Code 2251 – [Payment for Goods and Services](#)

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