

Ball State University
Procedure for Research Participant Incentive Payments

EFFECTIVE DATE: January 1, 2014

LAST REVISION: November 13, 2018

PROCEDURE ISSUED FROM: Office of University Controller

I. PURPOSE: This procedure (“Procedure”) is hereby adopted for the purpose of detailing the proper channels through which to process research participant incentive payments¹. This procedure also provides guidance and direction for the issuance of electronic gift cards and acquiring and accounting for a limited operating advance². This procedure is in place to meet the needs of those conducting research, to minimize the administrative burden associated with incentives and comply with federal and tax reporting requirements.

II. BACKGROUND: Ball State University (“University”) must balance the recordkeeping requirements of the State of Indiana, grantor agencies and the Internal Revenue Service while still allowing research to take place in an efficient, accurate and sometimes confidential manner.

III. APPLICABILITY: This procedure applies to any payment to a participant in research which is funded or administered by the University³. This includes any and all research utilizing Ball State’s solicitation services such as the electronic communication center. This includes both studies approved by the Institutional Review Board (“IRB”) and those done outside of the IRB’s scope.

IV. PROCEDURE DETAILS: The University often conducts research with a requirement to obtain participation and collect information from participants. Researchers frequently find it necessary to offer incentives in order to obtain sufficient participation. These incentives may be subject to tax reporting and as such there are specific rules that must be followed in order for the University to remain in compliance⁴.

There are two options for paying research participants an incentive: the issuance of an electronic gift card from the University’s vendor, **Tango**⁵, or through an operating advance issued to the researcher.

The issuance of an electronic gift card is the preferred method. In order to do this, the researcher works with their Administrative Coordinator to get a SciQuest Non PO Payment Request (Direct Pay) completed to send funds to the vendor, **Tango**. The requestor must attach a completed [Tango order form](#) to the requisition with the name and

¹ This procedure should not be used to disburse awards or prizes. Those types of payments are covered by the [Procedure for Disbursing Awards Prizes Scholarships and Payments for Services](#)

² A “limited operating advance” is a cash advance used to make cash payments to individuals as an incentive to participate in a research study sponsored by the University. The limit for these advances is \$3,000.00. Due to the internal control issues associated with cash advances, operating advances will only be approved in limited circumstances.

³ The Human Performance Lab, due to the size and nature of its incentives payments, will continue to utilize direct payments from the University to participants and will not be required to issue electronic gift cards.

⁴ Payments made by researchers with an operating advance granted by this procedure must be made for the sole purpose of incentivizing participants and cannot be used to pay suppliers for goods or services or pay any type of wages for services rendered.

⁵ [Instructions for using Tango can be found here.](#)

correct e-mail address⁶ for each participant eligible for an incentive payment. Once funds have been received by Tango, University Tax Compliance will coordinate the release of redemption codes to the participants listed on the order form. The electronic gift cards will then be issued within one business day via a personalized and BSU-branded email. This email will be sent to the participant with a redemption code and instructions for redemption.⁷

The use of gift cards is only allowed when using Tango. Gift cards purchased outside of this approved vendor will not be reimbursed.

Alternatively, a limited operating advance⁸ will be paid through the Accounting Office directly to the researcher by completing the following:

- The payment request must be submitted as a SciQuest Non PO Payment Request Form (Direct Pay) payable to the researcher⁹ for the total amount of the planned incentive payments. The advance payment should be issued no sooner than one week before the first anticipated incentive disbursement.
- The [Custodian of Funds Agreement](#) must be completed and attached to the SciQuest Non PO Payment Request Form (Direct Pay).

Note: all projects are subject to periodic, unannounced audits by University Management, the University's Internal Auditor or the Indiana State Board of Accounts as described in the University's Cash Handling Policy. Additionally, external funders of sponsored projects may also conduct periodic audits.

Any cash released to a researcher should be held in a secure manner until distributed as an incentive. Each separate distribution to a researcher will require a Custodian of Funds Agreement to be completed and signed. While any excess operating advances returned within a reasonable period of time¹⁰ will not be considered taxable income to the researcher, any excess advance not returned will become taxable income reported on the researcher's Form W-2 at the end of the calendar year. Researcher may use a log or any applicable method to track distribution of funds as agreed upon by those signing the Custodian of Funds Agreement. The responsibility for these payments occurring as proposed will fall to the supervisor of the researcher as outlined in the Custodian of Funds Agreement.

Abuse of operating advances is not tolerated and will result in a researcher's loss of operating advance privileges. Additional disciplinary action up to and including termination may also apply.

Acceptable language to publicize availability of incentives:

When advertising the use of incentives, it is important not to utilize language alluding to games of chance which are heavily regulated in Indiana and not offered by the University. Do not use terms such as "raffle" or "lottery" to describe a participant's ability to get an incentive. Language such as, "upon completion of the survey, you may enter your information for an equal opportunity to receive one of five \$40 gift cards drawn at random" is acceptable.

⁶ Tango stresses that it is very important that e-mail addresses are correct or the incentive payment could be redeemed by the wrong person and thereby no longer be available. For additional information on Tango, click [here](#).

⁷ Any questions by the participant on how to redeem would be handled by Tango's team (contact information will be in the recipient's email).

⁸ Operating advances are limited to \$3,000.00.

⁹ The operating advance will not be considered an additional item of income to the researcher as long as any excess advance is returned within a reasonable period of time as outlined on the Custodian of Funds Agreement.

¹⁰ An excess operating advance returned to the University up to 30 days after an incentive was to be paid will be treated as having occurred within a reasonable period of time.

V. REPORTING: The University has a tax reporting obligation once the amount paid to an individual (including amounts given as an incentive to be a research participant via an electronic gift card) reaches \$600.00 on a cumulative basis per calendar year. This reporting will be done on a Form 1099-MISC. No incentive amount shall be paid to a University employee due to their status as an employee. All amounts are considered taxable income even if no reporting is done by the University.

VI. EXAMPLES:

1. A researcher purchased 30 \$10.00 gift card at Walmart with personal funds to distribute as an incentive for participating in a study they are conducting. The researcher would like to be reimbursed for this expense, but since they did not use Tango Card this will not be possible. The researcher will NOT be reimbursed. The researcher also will not be eligible to publicize this incentive via official University channels since the incentive goes against the University's established and accepted procedures.
2. A researcher paid 30 participants \$10.00 each for answering questions at a walk-up table in a crowded location. This researcher paid participant costs themselves and would like to be reimbursed. The researcher would work with their college's Administrative Coordinator to submit a SciQuest Non PO Payment Request Form (Direct Pay) payable to the researcher. The researcher will receive a direct deposit of \$300.00 from the Accounting Office to reimburse them for this expense. The reimbursement is not a taxable event.
3. A researcher would like to pay 40 research participants \$20.00 each as an incentive. The researcher will have all of the participants in a room at the same time and wishes to pay participants \$20 upon completion of the activity; therefore, Tango was not the best option. The researcher's Administrative Coordinator would attach the Custodian of Funds Agreement to the SciQuest Non PO Payment Request Form (Direct Pay). The researcher would receive an \$800.00 deposit in their bank account as an operating advance. The responsibility for these payments occurring as proposed will fall to the supervisor of the researcher as outlined in the Custodian of Funds Agreement. If the researcher does not issue all of the incentives as planned, the funds must be returned to the University Bursar as outlined in the Custodian of Funds Agreement. If the expenses are not substantiated and excess funds are not returned in a timely manner, the amount of the operating advance granted to the researcher will become taxable income reported on their Form W-2 at the end of the calendar year.
4. A researcher paid Amazon Mechanical Turk \$165.00 for data collection¹¹. The researcher paid \$1.50 to 100 individuals for participation in their study. In addition to paying participants, Amazon Mechanical Turk charges a 10% processing fee. The researcher paid the charge personally and wishes to be reimbursed with SUBMIT funds they have available. The researcher works with their Administrative Coordinator to submit a SciQuest Non PO Payment Request Form (Direct Pay) with the Amazon Mechanical Turk receipt attached. The researcher will receive a direct deposit of \$165.00 from the Accounting Office.
5. A researcher is doing a mail survey sent to 1,000 school principals. In these envelopes will be the survey and a \$1.00 bill to incentivize the principals to respond. The researcher's Administrative Coordinator would attach the Custodian of Funds Agreement to the SciQuest Non PO Payment Request Form (Direct Pay). The responsibility for these payments occurring as proposed will fall to the researcher's supervisor as outlined in the Custodian of Funds

¹¹ Amazon Mechanical Turk is a site that researchers use to administer surveys and various tasks. Researchers register with the site and post their studies on-line. They then pay people who have registered with Amazon for participation in their studies. Payment amount usually depends on time and difficulty. Note that operating advances are not to be used for the prepayment of services like Amazon Mechanical Turk; in these situations, researchers should fund the Amazon Mechanical Turk expenses with a University purchasing card, if applicable, or fund the expenses themselves and be reimbursed through SciQuest on a Non PO Payment Request Form (Direct Pay).

Agreement. If the researcher does not issue all of the incentives as planned, the funds must be returned to the University Bursar as outlined in the Custodian of Funds Agreement. If the expenses are not substantiated and excess funds are not returned in a timely manner, the amount of the operating advance granted to the researcher will become taxable income reported on their Form W-2 at the end of the calendar year. If this happens, the researcher will also lose their operating advance privileges and may be subject to additional disciplinary action up to and including termination.

6. A researcher is doing a research study where participants are needed for testing for two hours. In exchange for their time, the researcher agrees to issue a \$40 gift card. The researcher will work with their Administrative Coordinator to send funds to Tango, attaching the completed Tango order form. The gift cards will be e-mailed to the participants within 1 business day of Tango receiving the funds.

The examples offered above are not intended to be an inclusive or exhaustive list and situations outside of their set of facts are bound to happen.

Contact in Case of Questions: University Tax Compliance, Office of University Controller at 765.285.8444 or bsutax@bsu.edu

Ball State University procedures are subject to change at any time. If you are reading this procedure in paper or .PDF format, you are strongly encouraged to visit BSU.edu to ensure that you are relying on the most current version. This information is not intended as tax advice but rather to alert participants of potential tax ramifications and IRS rules. The University is not providing you with tax advice nor attempting to evaluate your particular situation. You are urged to consult your own tax advisor(s) or the IRS concerning the federal, state, and employment tax ramifications of your particular situation.