Guidelines for Research Subject Payments Using a Petty Cash Fund

A Petty Cash fund may be established to pay one-time research subject payments as part of a research project. These payments are generally small amounts. If payments to a single individual is expected to total more than $600, additional tax reporting is required (See section Research Subject Participant Tax Considerations below). Petty Cash obtained for research subject payments may not be used for the payment of personal services. Individuals who perform services would be considered independent contractors and must be paid through Purchasing and Accounts Payable.

In lieu of petty cash, Academic Units may use a Mason P-Card to purchase gift cards for research subject payments. The cards must be physically secured at all times by lock and key. Gift cards may only be used in accordance with the Institutional Review Board (IRB). Procedures and responsibilities are outlined on the Gift Cards for Research Subject Payments Guide.

Establishing the Fund

The Principal Investigator (PI) should complete and sign the Petty Cash Request Form located on the Fiscal Services webpage under Policies & Procedures > Forms and Instructions. The PI will be the Petty Cash Custodian and must review the guidance provided above under section Custodian Responsibilities for Proper Petty Cash Management. If the expenditures will be charged to a fund beginning with a “2”, the request form should be sent to the Office of Sponsored Programs (OSP) for approval. OSP will review and approve the requested amount and provide the Grant End Date. If the Petty Cash fund will be used for non-sponsored research, the completed form may be sent directly to Accounts Payable. The form and applicable documentation may be submitted to Attn: Petty Cash Officer, Accounts Payable, MSN 3C1 or by email to dstewa2@gmu.edu.

The request must include the following information:

1. Department Name & Location of Fund (building/room) – where fund will be kept.
2. Indicate the Fund Type (Expenditure).
3. Need by Date and Return by Date (return date can’t exceed IRB expiration date)
5. Purpose of establishing the fund, Project Title(s), expected frequency of use and a copy of the written approval or exemption determination from the Institutional Review Board (IRB).
6. Budget Amount and IRB Protocol No (OSP will provide the Grant End Date).
7. Obtain required signatures for Supervisor and OSP*.
8. All signatures must be present before submission to Accounts Payable.

*OSP will forward the approved request to Accounts Payable for approval and check disbursement if the expenditures will be charged to a sponsored project.

Expenditure - Cash requests will be reviewed and if approved, the Petty Cash Officer will request a disbursement check made payable to the person listed as the Custodian on the request form. When the check is ready, the Petty Cash Officer will contact the Custodian. The Custodian must pick up the check, in person, at the Purchasing and Accounts Payable office, Merten Hall, Suite 4200 and present a Mason issued photo ID. Upon receipt of the check, the custodian will sign a Petty Cash Receipt of Funds and Certification of Responsibility form to confirm the recipient understands his/her responsibility as Custodian of the fund. The Custodian may then cash the check and hold the funds in a secure location, such as a drawer in a locked filing cabinet within the department. The department/unit is responsible for safeguarding the funds and replacing any missing funds, including stolen funds.
Maintaining the Fund

The Custodian MUST store the Petty Cash in a secure location such as a locked drawer or cabinet. The key to the drawer or cabinet must remain in the Custodian’s possession at all times. A log of payments to research subjects must be kept for all disbursements. For each disbursement, the Petty Cash Disbursement Log must be completed and include:

- The date of disbursement
- Recipient Code Number* or Individual first/last name
- Amount paid to the Recipient
- Method of payment (cash amount)
- The description of the expenditure (research subject payment, etc.)
- Resident or Nonresident indication

*The PI should maintain a separate key with subject names and code numbers. The PI is responsible for maintaining the key that cross references to the code numbers for ten years.

The total amount of funds disbursed, as recorded on the Petty Cash Disbursement Log plus any cash on hand must equal the total amount of the Petty Cash fund at all times. In the event of suspected theft of petty cash funds, the Custodian should immediately notify the University Police Department and then contact the Accounts Payable Petty Cash Officer.

Research Subject Participant Tax Considerations

Individuals, including Mason employees, students, and non-employees, who participate in Mason research projects, may be compensated through petty cash. The compensation for research participation will be reported either on the 1099-MISC or 1042-S tax form if required by the Internal Revenue Code (IRC). As such, notice must be provided to research participants about the tax implications of accepting compensation for participating in the study. In the event of an IRS audit, it will be the responsibility of the unit/department to supply clear supporting compensation documentation.

The principal investigator (PI) must maintain the following records regarding ALL participants:

- Informed Consent Forms for all individuals participating in the research, unless the requirement has been waived by the Institutional Review Board (IRB).
- Petty Cash Disbursement Log documenting the coded human subject, study location, residency status of the participant (U.S. Resident or Nonresident) and payment(s) made to each human subject. A log of payments to research subjects must be kept for all disbursements.

Payments to human subjects who are U.S. Tax Resident:

- If the participant is a U.S. tax resident, and payments are $600 or greater in any one calendar year, the university is required to file a 1099 form with the IRS. For amounts less than $600, the individual is responsible for reporting the additional income but the university does not file 1099 tax forms with the IRS.
- If payment is equal to or greater than $600 in a calendar year – the Principal Investigator (PI) is required to collect a completed W-9 form from each U.S. tax resident and receipts/log of disbursement showing paid amount(s). The required documentation can be sent to AP- Petty Cash Officer, mail stop 3C1. The PI must notify Accounts Payable if at any time, either at the beginning of each research study or during the course of the research study, it is recognized that the human subject will receive a total of $600 or more in a calendar year as remuneration (petty cash funds or other payment).
Payments to human subjects who are Nonresidents for tax purposes:

- If the participant is a Nonresident for tax purposes, the payment (or item) is likely taxable at a rate of 30% (withholding should occur at the time of payment). A Form 1042S will be issued and all payments reported to the IRS. The required IRS information to be collected by the PI on each nonresident payment recipient is as follows: Name (First and Last), Amount of Compensation, Street Address, City, State, Zip Code, and Social Security Number or Tax Identification Number. (See the Certification for Research Study Participants). The PI must store the information following University Policy 1114 - Data Stewardship, until the close of each calendar year, when the International Tax Office will contact the PI to transfer the information for tax reporting purposes.

- Statutory 30% tax withholding will be withheld on top of the payments to Nonresidents. The International Tax Office will request that PI provides a fund/org to charge for the withholding tax.

- In cases when deemed necessary and essential to the project, the IRB must approve the non-collection of IRS information. A payment to nonresidents participating in a research study where IRS information is not being collected is limited to a total payment of $50 or less per individual from all such research studies during the calendar year. Payments to non-resident alien human subjects for research activities outside of the United States are neither reportable nor subject to the U.S. tax withholding if the activity is conducted outside the United States. PI should note the location of the research in the payment disbursement log.