

## Taxes and Study Compensation

Compensation for clinical research has increased over the past couple of years as reimbursement to subjects for various costs such as travel to the site has increased as well. Many sites and sponsors have inquired about the reporting requirements to the IRS and if subjects would be required to receive 1099s for their participation in clinical trials. The following information was provided by the IRS through their Electronic Tax Law Assistance service.

“...you are inquiring as to whether amounts which you pay to participants in clinical trials need to be reported by you on a Form 1099-MISC as nonemployee compensation. In most cases, the answer would be no. This is similar to the issue as to whether payment received for blood donations is reportable. There have been several court cases and revenue rulings that have established precedent in this area. You as the payer, however, may need to determine if the individual to whom funds are paid is engaged in the activity as a trade or business. This most often occurs if you have individuals who repeatedly are called upon by you during the course of the year to participate in such studies, and whose compensation is such that it would be apparent that the primary motive is for profit. If, however, you have volunteers who only periodically participate in studies, you are not required to issue a payee document at the end of the year.

You are not required to issue a 1099-MISC to an individual if the total paid to that individual is less than \$600 for the year. In order to issue a 1099-MISC, you must secure the individual's social security number or individual tax identification number. Your inquiry specifies individuals who do not have a social security number. These individuals should look into obtaining an ITIN using Form W-7. Information is available on our website. However, as a general rule, an individual who cannot obtain a social security number is not authorized to work in the United States (receive compensation for services). Again, if this is not compensation due to the infrequent nature of

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participation, you need not be concerned about securing a social security number or ITIN, nor would the individual report it as compensation.

However, this does not mean that the income received by the participants in clinical trials conducted by you are not required to report the income on their tax return. In general, they should report the payment received as other income (line 21 of the 2004 Form 1040). If, however, your payment to the volunteers is in the nature of a reimbursement for out-of-pocket expenses which they had incurred in participating in the trial, then the income is not reported on the tax return.”

More information on these topics can be found in Publications 525, Taxable and Nontaxable Income, and Publication 533, Self-Employment Tax.

Source: IRB Forum Question and Answers “ 1099 to Research Reimbursement”

## Harrison IRB Accreditation Status

Harrison IRB has successfully submitted its application for AAHRPP Accreditation!! A press release will be going out soon!

## Happy Holidays from Harrison IRB!

