

Contractors and providers are referred to jointly as providers.

**What information is being requested?** The particular items fall into two categories:

- i) information required to report to the IRS
- ii) information regarding a provider's insurance coverage.

The church needs to know if the provider carries insurance that covers workers compensation or business liability. We ask them for their coverage, *but coverage is not a universal requirement for doing work for the church.*

**Why should we ask for the information?** The church is a non-profit corporation and has legal obligations related to tax reporting and insurance coverage. The church's requirements are different from those we have as individuals or homeowners. The church is legally responsible to report to the IRS payments made to certain providers of \$600 or more, where individuals are not. In the case of insurance, the church is potentially liable for injury to workers or others when work is done on its behalf by providers. Each year the church has to report to our insurer the amount paid to each provider and any self-coverage the provider may have. Complete and accurate reporting is necessary to maintain the church's insurability.

**What practice do the Trustees and Finance Committee recommend?** They believe a good start is that any professional or lay leader securing a service ask the provider to complete the attached form and a form W-9. The ideal practice is that completed forms will be received and reviewed before the provider begins work for the church. Trustees and Finance believe it is reasonable to ask for the information from all contractors and service providers, no matter how little the anticipated payment may be.

**Isn't it excessive to ask for the information if we're only going to pay someone \$100 for a single speaking engagement?** Let's reframe the question as follows: aren't there a number of instances where we won't use the W-9 information or we'll just confirm, as we might expect, that the provider has no insurance coverage? The answer is yes to both cases. But please consider the following.

There have been a few cases in the past two and one-half years where a single engagement becomes two or three and the total payments exceed the \$600-minimum by December 31. The truth is that we don't know with certainty the total annual payment to a provider when we initially engage them. If we don't ask for the information up front, then someone needs to monitor providers actively so the info can be gathered when it is required. Might it be easier just to ask it of everyone at the start?

The answer to the insurance question is that we can't really know about coverage until we ask. And to be clear, neither Finance nor Trustees said that evidence of coverage should be a requirement of all providers. Having the information can only improve the accuracy of our reporting to our insurer and potentially reduce our insurance costs when the provider carries his or her own insurance.

**Won't providers object to the extra work and the sharing of information?** Contractors are certainly accustomed to dealing regularly with requests like these we propose. For sole proprietors, it may be a new experience, but we're asking for a minimum of six pieces of new information, five of which are check boxes and four are yes/no responses. The biggest hurdle is that small providers may be unsure of their responses because our request will be their first experience supplying this type of information.

**What happens if a provider won't provide a social security or tax ID number and can't sign a W-9?** If the amount to be paid for the service is greater than \$599, then the church and the individual have no

option. The church must report the payment to the IRS; therefore, it must have a social security or tax ID number. If the person will be paid less than \$600, then one pass can be tolerated, but only one should be permitted in a calendar year. Allowing an exception only reinforces the need of make the request a standard part of engaging a service provider. If a provider requests a pass, then it is important to ask if they have received any previous payments within the current year. If the answer is yes, then the individual will need to provide the information. Even though the church is small, one cannot assume perfect knowledge or unfailing memory. It is important to ask the questions at each new engagement.

**What if we already have the information on file?** If a provider says that they have provided the information, then there is no need to submit it again *as long as the information is current and accurate*. Businesses can change the way they are organized; for example, a sole proprietor may decide to form an LLC or incorporate. Certificates of insurance are only good through the policy renewal date. If you are working with a provider who has previously submitted the W-9 and insurance information, you may need to check with the church office to ensure they are current.

**Thank you!**