

**Dexter Community Schools**  
**Employee vs. Independent Contractor Relationships**  
(Payroll vs. Accounts Payable/Internal Accounts)

**1) Who are Employees?**

Any individual who is **paid** to perform any service for the School District is an employee, regardless of the duration of the service to be performed. Any worker who the District has behavioral control (the right to direct or control the way the work is done) and financial control (the worker is not otherwise in business for himself/herself) is an employee. VERY FEW exceptions apply. See the Executive Director of Finance & Business or [IRS Publication 15-A](#) for further details.

**2) Give some examples of Employees?**

Here are some examples of Employees who used to be paid through accounts payable or internal accounts who will be paid through PAYROLL effective immediately:

- Student or adult officials for a non-MHSAA Saturday basketball tournament (who might get paid \$50 for the day)
- Students or adults who officiate 8 soccer matches in the summer for community education (who might get paid \$10 per hour)
- Students or adults who judge a debate tournament on a Saturday (who might get paid per match working 1-4 matches on a weekend and getting paid \$50-\$150 for that weekend)
- Students or adults who give private lessons to orchestra students after school (they might do 30 lessons in 3 months) and get paid \$15 per lesson and “paid for” by internal account "Orchestra Boosters."
- A former music teacher who helps prepare students for festival competition and paid an honorarium of \$50 or \$100 twice per year and “paid for” by internal account "Band Activities."
- Adults assisting music teachers with students at band camp for one week in the summer and paid a stipend for their time for attending that week and “paid for” by internal account "Band Camp."

All these situations are employer-employee relationships per the definition of the IRS, and will be paid through PAYROLL going forward.

**3) How are Employees paid?**

All individuals being paid for any service performed for the School District will be paid through PAYROLL. The only payments that will be made through ACCOUNTS PAYABLE are for durable goods (supplies) and to incorporated businesses for services rendered. VERY FEW individuals will be considered an Independent Contractor and only when pre-authorized by the Executive Director of Finance & Business.

**4) What does it mean that the worker is an Employee?**

The worker will be compensated for his/her services through PAYROLL. The worker must complete all pre-hire paperwork. The District must withhold income tax and the employee's portion of Social Security and Medicare taxes and required contributions to the Michigan Public School Employees Retirement System (MPSERS). Also, the District is responsible for paying Social Security and Medicare taxes and required contributions to the Michigan Public School Employees Retirement System. Annually, the District must give the worker a W-2, Wage and Tax Statement.

**5) What about Student employees?**

The Student will be compensated for his/her services through PAYROLL. However, Social Security and Medicare taxes do not apply to service performed by Students actively enrolled in Dexter Community Schools (the exception does NOT apply to work performed during summer break). Students or Employees under the age of 19 (before the day they reach their 19<sup>th</sup> birthday) are excluded from the MPSERS retirement system. Oftentimes, Students earnings fall below taxable income limits.

**6) Can an Internal Account pay a stipend or fee for a service to an individual through an Internal or Accounts Payable check run?**

No. All services performed by individuals will be paid through PAYROLL.

**7) How does Internal Accounts reimburse payroll for the payment?**

All requests for payment of service rendered, that will subsequently be reimbursed by Internal funds, will be processed by payroll to account 111-219-1890. The payment will be made to the individual and the amount of the payment PLUS employer taxes (FICA (7.65%) and MPSERS (16.94% for 09-10)) will be deducted from the Internal Account. For example, if a person is paid \$100 for working, then  $\$100.00 + \$7.65 + \$16.94 = \$124.59$  will be deducted from the Internal Account to reimburse payroll.

**8) Can cash collected for event fees be used to pay workers at the event?**

No. In no event shall cash be used to pay for goods and/or services. All monies collected must be deposited and reported. All payments for goods or services must be done by District check or District issued purchasing card. Nominal expenses may be reimbursed on an [Expense Report](#) or Internal Account Check Request. See Internal Accounts Procedures for more information.

**9) What paperwork must be completed to set up a worker as an employee?**

A prospective worker must complete new hire paperwork BEFORE he/she works, even if the work is only one time or on an intermittent basis. No employee will receive a paycheck without all the proper paperwork being completed. New Hire Payroll Packet forms are available on our website under Administration → Business Office → [Staff Payroll](#) and include:

- [New Hire Payroll Information Sheet](#)
- Federal Withholding Allowance Certificate-Form [W-4](#)
- Michigan Withholding Exemption Certificate-[MI-W-4](#)
- Michigan New Hire Reporting [MI-Form 3281](#)
- Employment Eligibility Verification-[Form I-9](#) (with a copy of your Social Security card AND a valid driver's license OR a valid passport)
- [Direct Deposit Authorization Form](#)
- [List of previous Employers \(PA 189 Verification\)](#)
- [Criminal Release Check](#)

**10) Do all employees have to be fingerprinted?**

Yes. Fingerprinting and School Safety Guidelines require all prospective employees to submit fingerprints to the District before work is performed. Fingerprints done since 1/1/2006 on Live Scan can be shared or transferred between school districts. Students do not need fingerprints if they are not more than 19 years of age and they are enrolled as a general education student in any school district. Upon graduation, fingerprints are required, regardless of age.

**11) Do you offer direct deposit of paychecks for intermittent employees?**

Yes. To maximize district efficiency, all employees are STRONGLY encouraged to participate in the direct deposit benefit. On payday the money is electronically deposited into your bank account and direct deposit pay stubs are posted onto the web-based system for easy access/printing by employees. Printing “live” paychecks creates unnecessary expenses for the District.

**12) What paperwork must be completed to set up a new vendor or business for payment?**

A prospective corporation, business, or other independent contractor must complete IRS form [W-9: Request for Taxpayer Identification and Certification](#). In addition, if an individual is to receive payment for services performed and is not otherwise incorporated (not just have a business name), he/she must also complete an [Independent Contracted Service Agreement](#). Any vendor who might be considered an Independent Contractor must be pre-authorized by the Executive Director of Finance & Business.