



IS YOUR WORKER AN EMPLOYEE OR A CONTRACTOR?



Are you properly classifying your workers as employees and contractors? This is an important area that the IRS continues to focus its efforts to make sure companies following the rules.

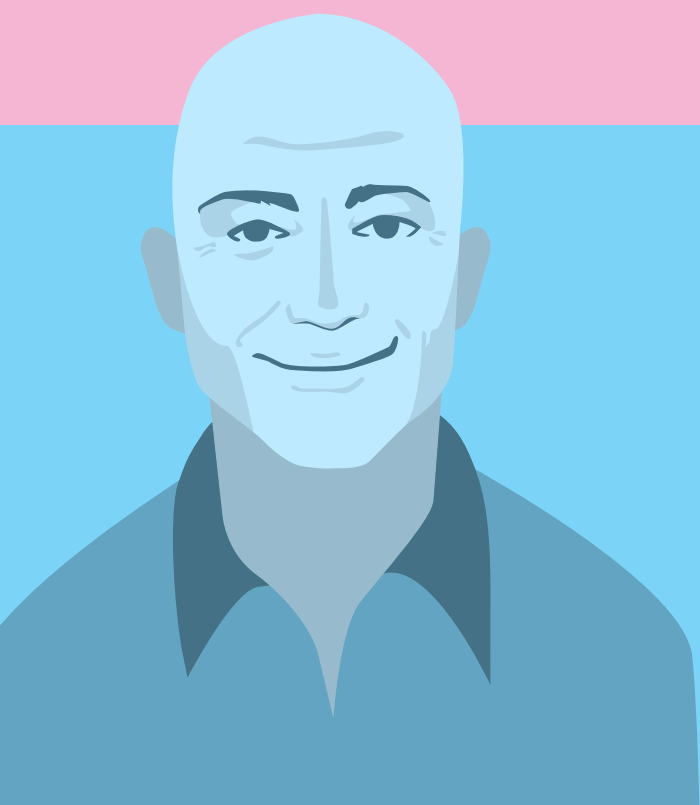
Below is the 20 factors test that the IRS uses to determine whether a worker is an employee or an independent contractor. These factors should be used as a guide:

1. INSTRUCTIONS

If an employer can instruct the worker about when, where, and how the worker performs work, this indicates an employer-employee relationship. Independent contractors have more control over their work.

3. INTEGRATION OF WORK PERFORMED INTO FIRM OPERATIONS

Strong integration of the worker's services into operations of the person who hired the worker indicates an employer-employee relationship.



2. TRAINING & MEETING

Providing worker training and requiring the worker to attend meetings indicates the existence of an employer-employee relationship.

4. PERSONAL PERFORMANCE OF SERVICES

Employees must personally perform services.

The same requirement might not be expected of an independent contractor, although there are exceptions. This factor alone is frequently not determinative.

5. PERSONNEL CONTROL

A firm's control over the hiring, supervision, and payment of the worker's assistants suggest an employer-employee relationship.

Independent contractors typically maintain and control their own staff.



6. LENGTH OF WORKING RELATIONSHIP

A continual, long-term work relationship implies an employer-employee relationship. Such a long-term relationship may also exist with an independent contractor. Therefore, this factor taken along is not determinative.

7. WORK SCHEDULE

An established work schedule for the worker indicates that an employer-employee relationship exists. Independent contractors generally retain more freedom in scheduling the performance of their services to a firm.

9. LOCATION OF SERVICES

Requiring the worker to perform services at the firm's or person's own location suggests an employer-employee relationship.

However, because employees can only perform some types of work at the firm's or person's worksite, this factor alone is not determinative.

8. HOURS OF SERVICE REQUIRED

Requiring substantially full-time work from the worker in the performance of services to the firm is indicative of an employer-employee relationship. Conversely, part-time hours worked for one firm or person while the worker also provides work for other firms or persons indicate that the worker may be an independent contractor.

10. CONTROL OVER WORK TECHNIQUE

Control by the firm or person over the worker's technique or order of tasks indicates that an employer-employee relationship exists. A worker who has control over the technique or task order in the performance of services suggests that the worker may be an independent contractor.

11. PAYMENT METHOD



Payment at regular intervals (hourly, weekly, or monthly) suggests an

employer-employee relationship. Alternatively, payment to the worker based on the particular job or project or based on invoices issued by the worker suggests an independent contractor relationship.

12. PERIODIC REPORTING

Requiring regular written or verbal reports from the worker to other firm personnel or persons associated with the person for whom the worker provides services indicates an employer-employee relationship.

However, requiring progress reports by an independent contractor is also common. Therefore, this factor alone is not determinative.

BUSINESS TRIP



13. WORK-RELATED EXPENSES

Payment of the worker's business and travel expenses suggests an employer-employee relationship.

However, this type of arrangement may also exist between a firm or person and an independent contractor.

14. PROVISIONS OF TOOLS

Tools furnished by the worker indicate that the worker is an independent contractor. If the person for whom the services are performed provides the worker with tools, this suggests the existence of an employer-employee relationship.

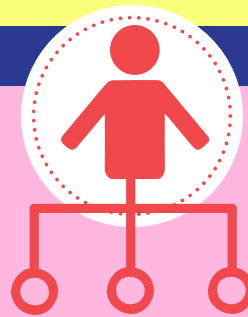
15. WORK FACILITIES

A worker who invests in and provides work facilities is likely to be an independent contractor, particularly if the facilities are of a type not generally maintained by employees. The lack of investment in facilities indicates dependence on the person for whom the services are performed to provide such facilities, which suggests an employer-employee relationship.



16. PROFIT POTENTIAL & RISK OF LOSS

Workers who profit from the success of a business and bear the risk of loss from failure are more likely to be independent contractors than employees. Employers typically pay employees a fixed amount regard to profits or losses.



17. PROVIDING SERVICES TO MULTIPLE FIRMS

An employee tends to provide services to a single firm or person. In contrast, an independent contractor frequently provides services to several firms or persons.



18. RIGHT OF DISCHARGE

The ability of a firm or person to terminate the worker for any reason and without penalty suggests an employer-employee relationship. The presence of penalties to the firm upon termination without cause may be indicative of a higher degree of worker independence, which is more characteristic of an independent contractor relationship.

19. PROVIDING SERVICE TO THE GENERAL PUBLIC

Workers who regularly and consistently offer their services to the public are more likely to be independent contractors.

20. WORKER'S RIGHT OF TERMINATION

If the worker has the ability to terminate the relationship with the firm or person at any time without penalty, this indicates an employer-employee relationship.



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