



STRATEGIES FOR Success

INDEPENDENT CONTRACTOR OR EMPLOYEE?

Not knowing whether your workers are employees or independent contractors could leave both you and the IRS wondering.

One of the hottest tax issues in recent years has been whether certain workers qualify as independent contractors or employees. Because of the abuses by some business owners, the IRS very carefully scrutinizes independent contractor claims.

SS-8 Form and receiving an official IRS ruling can more certainty be attained.

Be sure to call us if you have any concerns or score poorly on the following "test."

There are three common misconceptions about independent contractors.

1. They are temporary or part-time.

FACT: Part-time or temporary workers can still be employees.

2. They earn less than \$600 in a calendar year.

FACT: It doesn't matter how much money an individual makes; he or she can still be an employee.

3. They make quarterly estimated payment to the IRS.

FACT: Even employees can make quarterly estimated payments to the IRS.

To determine if you can consider a person as an independent contractor rather than an employee, answer the following questions. If the answer to the first, and most important, question is "NO," the worker is definitely an employee and you won't need to answer the remaining questions.

NOTE:

This test is only a guideline and doesn't guarantee IRS agreement. Only by completing and filing the official 4-page

	YES	NO	
1	<input type="checkbox"/>	<input type="checkbox"/>	Employer controls only the final results and not how the work is accomplished
2	<input type="checkbox"/>	<input type="checkbox"/>	Worker doesn't receive extensive training from employer
3	<input type="checkbox"/>	<input type="checkbox"/>	Works as professional or skilled technician
4	<input type="checkbox"/>	<input type="checkbox"/>	Worker sets own time schedule or assignment is not performed at employer's site
5	<input type="checkbox"/>	<input type="checkbox"/>	Provides own tools, equipment and/or supplies
6	<input type="checkbox"/>	<input type="checkbox"/>	Has other customers and/or clients
7	<input type="checkbox"/>	<input type="checkbox"/>	Has business card and/or stationery and paid advertising
8	<input type="checkbox"/>	<input type="checkbox"/>	Employer doesn't have other employees doing similar work
9	<input type="checkbox"/>	<input type="checkbox"/>	Has written contract for specific job or set time frame
10	<input type="checkbox"/>	<input type="checkbox"/>	Sends a bill for services performed

If your "YES" score was between:

7-10 The worker will probably qualify as an independent contractor

4-6 The worker may qualify as an independent contractor

0-3 Practice writing zeros – you'll need lots of practice if you're audited. The check to the IRS, for back taxes, penalties and interest, can be more than 50% of the total wages paid to the worker. Make this person an employee now and save yourself worry (and ultimately money).

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