

Contractor or Employee??

What determines whether your working relationship with a company is as an **employee** or as an **independent contractor**? The Internal Revenue Service is skeptical of many "independent contractor" agreements. In many cases, the parties agree that the worker should be a contractor simply because it saves payroll taxes and paperwork for the employer. The IRS has come up with a more definitive test. The IRS lists 20 factors that should be used to determine a worker's status.

1. Is the worker required to follow the employer's instructions about where, when, and how work is to be performed?
2. Does the employer require the worker to take specified training?
3. Are the worker's services integrated into the business?
4. Can the worker hire someone to work in his/her place?
5. Does the employer hire, supervise, and pay those who assist the worker?
6. Is there a continuing relationship?
7. Does the employer set the work hours?
8. Is the worker required to devote full time to this job?
9. Is the work performed on the employer's premises?
10. Is the worker required to work at the routines and schedules of the employer?
11. Are reports required to be submitted to the employer?
12. Is the worker paid by the time spent or by the job to be done?
13. Does the employer provide the tools and materials needed for the job?
14. Does the employer provide the employee with an expense account?
15. Does the worker have a significant investment in facilities or equipment?
16. Does the employer bear any "risk of loss" for the work done?
17. Does the worker work for other firms?
18. Does the worker make his/her services available to the general public?
19. Does the employer have the right to discharge the worker?
20. Does the worker owe damages if he/she terminates before the work is done?