

Employee or Independent Contractor?

Here are 20 factors the IRS offers to help someone determine the difference between employees and independent contractors.

| Factor | An Employee... | An independent contractor... |
|-------------------------|--|---|
| 1. Instructions | ... is instructed when, where and how he or she is to work. | ...determines when, where and how work is performed. |
| 2. Training | The company may provide employee training before the work is done. | ... perform the job without training and uses his or her own methods. |
| 3. Integration | An employee's work is integrated into the company's operation because it is important to the success of the company. | An independent contractor's work is independent of it. |
| 4. Labor | personally performs the work. | ...can have others perform the work for him or her. |
| 5. Hiring Assistants | ... works for an employer who hires, supervises and pays employees. | ... can hire, supervise, and pay his or her own employees. |
| 6. Relationship | ...has a continuing relationship with an employer. | ... has an intermittent relationship |
| 7. Set Hours | ... usually has set hours of work established by an employer | ... usually can set his or her own work hours |
| 8. Full-time | ... works or may be required to work full-time for an employer | ... works for whom he or she chooses. |
| 9. Location | ... usually works on the employer's premises or at a location designated by the employer. | ...may perform work where and when he or she chooses |
| continued on other side | | |

| | An employee... | An independent contractor... |
|---|---|---|
| 10. Control of work | ... may require an employee to perform work in a set order or sequence. | ... determines his or her own work order. |
| 11. Reports | ... may be required to submit work progress reports. | need not submit progress reports. |
| 12. Billing and Payment | ... is generally paid by the hour, week or month. | ... submits invoices and is paid by the job. |
| 13. Expenses | ... generally reimburses employees for business and travel expenses. | ... is not reimbursed |
| 14. Tools | ... is usually supplied by the employer with the tools, materials and equipment needed to work. | provides his or her own. |
| 15. Investment | ...has little or no investment in the business | ... has a significant investment in his or her own business. |
| 16. Profit and Loss | ... does not have a profit or loss. | ... can make or lose money on a job |
| 17. Exclusive Work | ...generally provides work to one firm | ... is generally free to provide services to more than one unrelated firm at a time |
| 18. Availability to the General Public | ... does not offer services to the general public | ... does offer services to the general public |
| 19. Termination | ...has the right to fire an employee arbitrarily. | ... has a contract and can not be fired as long as the specifications of the contract are met. |
| 20. Quitting | ...can quit work at any time without liability | ... has a contractual responsibility for satisfactory completion of work and is legally responsible for failure to complete it. |
| <p>This IRS website offers more information. http://sbinformation.about.com/smallbusiness/sbinformation/gi/dynamic/offsite.htm?site=http://www.irs.ustreas.gov/plain/forms%5Fpubs/pubs.html</p> | | |