EMPLOYEE VS. INDEPENDENT CONTRACTOR?

Independent contractors are individuals who perform services but are self-employed or employed by another organization. The use of independent contractors allows employers to tap specialized expertise needed for project-specific work, recognize the contractors' desire for independence, and to save on benefit and administrative costs.

When a person is an independent contractor, employers have the right to control or direct only the result of the work and not the means and methods of accomplishing the result. The Internal Revenue Service (I.R.S.) has a list of 20 common law factors to assist in determining if the service provider is an employee or an independent contractor.

Workers have the characteristics of <u>employees</u> if they:

1. Must comply with employer's instructions about when, where, and how to work.
2. Receive training from or at the direction of the employer.
3. Provide services that are integrated into the business.
4. Provide services that must be rendered personally.
5. Do not hire, supervise, or pay their own assistants.
6. Have a continuing relationship with the employer.
7. Must follow set hours of work.
8. Work full-time for the employer.
9. Do their work on the employer's premises.
10. Must do their work in a sequence set by the employer.
11. Must submit regular reports to the employer.
12. Receive payments of regular amounts at set intervals.
13. Have their business and/or traveling expenses paid.
14. Use tools and materials furnished by the employer.
15. Lack a major investment in facilities used to perform the services.
16. Cannot make a profit or suffer a loss from their services.
17. Work for one employer at a time.
18. Do not offer their services to the general public.
19. Can be dismissed by the employer.
20. May quit at any time without incurring liability.

Independent contractors will bill employers for services and are paid through the disbursement (accounts payable) system.

Reference: http://www.irs.gov/businesses/small/article/0,,id=99921,00.html