

The U.S. Internal Revenue Code requires the presence of specific characteristics between the employer and the contractual provider of personal/professional services before an Independent Contractor relationship can exist. Before any performance of services, campus departments contracting for personal/professional services must assess the relationship with the individual provider to ensure that the individual is properly classified. An independent contractor is defined as an individual over whom the employer has the right to control or direct only the result of the work, and not the means and methods of accomplishing the result.

The IRS has established 20 guidelines to help employers determine whether a worker should be treated as an employee or an independent contractor for tax purposes. Those 20 guidelines are:

1. **Instructions.** Employees comply with their employer's instructions about when, where and how to work, or the employer has the right to control how a worker's work results are achieved. Independent contractors have more flexibility.
2. **Training.** Employees may receive training from their employers to perform services in a particular manner. Independent contractors usually use their own work methods and receive no training from those purchasing their services.
3. **Integration.** Employees' services are usually integrated into the business's operations because they are key to the success or the continuation of the business. Independent contractors are independent of the business's operation.
4. **Services Rendered Personally.** Employees render services personally. Independent contractors render services as contractors.
5. **Hiring Assistants.** Employees work for an employer. Independent contractors can hire, supervise and pay assistants under a contract that requires them to provide materials and labor and to be responsible for the results.
6. **Continuing Relationship.** Employees generally have ongoing relationships with their employers. Independent contractors' relationships will usually be more sporadic.
7. **Set Hours of Work.** Employers usually set their employees' work hours. Independent contractors usually set their own hours.
8. **Full-Time Required.** Employees may be required to work or to be available full-time. Independent contractors may work when and for whom they choose.
9. **Work Done on Premises.** Employees usually work on their employers' premises or on a route or at a location approved by their employers.
10. **Order or Sequence Set.** Employees may be required to perform services in the order or sequence set by their employers. Independent contractors can establish their own sequence.
11. **Reports.** Employees may be required to submit reports to their employers. Independent contractors are not required to submit reports to their clients.
12. **Payments.** Employees are paid by the hour, week or month. Independent contractors are usually paid by the job or through a commission.
13. **Expenses.** The business and travel expenses of employees are generally paid by their employers. Independent contractors are responsible for paying their own expenses.
14. **Tools and Materials.** Employers normally furnish their employees with the key tools, materials and other materials they need to do their jobs. Independent contractors normally furnish their own tools and materials.
15. **Investment.** Employees normally do not invest in the facilities. Independent contractors have a significant investment in the facilities they use to perform services for someone else.
16. **Profit and Loss.** Employees do not experience a profit or loss; independent contractors can.
17. **Works for More Than One Person or Firm.** Employees usually work for one firm at a time. Independent contractors may work for multiple persons or firms at the same time.
18. **Offer Services to the General Public.** Employees usually work for one employer. Independent contractors make their services available to whomever they want.
19. **Right to Fire.** Employees can be fired by their employers. Independent contractors cannot be fired as long as they produce a result that meets the specifications of their contract.
20. **Right to Quit.** Employees have the right to quit a job at any time without incurring liability. Independent contractors usually agree to carry out specific tasks or series of tasks and are responsible for completing those tasks satisfactorily, or are legally obligated to make good for failing to do so.

This resource is (c) 1994 by John Ventura, and is excerpted from "The Small Business Survival Kit" published by Dearborn Financial Publishing Inc., Chicago, IL.