

Employee vs. Independent Contractor

According to the IRS, in determining whether an individual is an employee or an independent contractor, questions must be asked in the following three categories: (1) behavioral control, (2) financial control, (3) and the type of relationship of the parties.

An employee has a continuing relationship with an employer. A continuing relationship may exist where work is performed at frequently recurring although irregular intervals.

7. **Set hours of work**: Will you be setting the individual's hours of work?

An employee has set hours of work established by an employer. An Independent Contractor is the master of his/her own time.

8. **Full-time work**: Will the individual be working only for you?

An employee is furnished significant tools, materials, and other equipment by an employer.

15. **Investment:** Will the individual have any investment in the facilities he/she will be using?

An Independent Contractor has a significant investment in the facilities he/she uses in performing services for someone else.

16. **Profit and loss:** Can the person performing the services realize either a profit or a loss?

Independent Contractors can earn a profit or suffer a loss because they: hire, direct, and pay assistants; have own office, equipment, materials, or facilities; have continuing or reoccurring liabilities; have agreed to perform specific jobs for agreed upon prices; their performance affects their business reputation.

- 17.