



"The Employee Leasing Professionals"

INDEPENDENT CONTRACTORS

(IRS Ruling 87-41)

1. Instructions: Is the person supervised and told when, where and how to do their work? (Independent Contractors are given an assignment and left to accomplish it.)
2. Training: Did you provide training to the person in order for them to be able to perform the job? (Independent Contractors should be fully trained already.)
3. Integral Part: Is the work a person performs an integral part of your company's operations? (Independent Contractors perform work in areas that are not vital to the day to day operations.)
4. Assistants: Is the person prevented from having someone else performing the work? (Independent Contractors may have someone else perform the work.)
5. Assistants: Is the person prohibited from hiring and supervising their own assistant(s)? (Independent Contractors hire and pay their own assistants.)
6. Continuous Service: Does the person work for you on a regular basis, usually every business day? (Independent Contractors work only when there is work to be done.)
7. Hours: Do you decide on the person's work hours? (Independent Contractors schedule their own time.)
8. Full time: Does the person work full time, usually 40 hours per week, for your company? (Independent Contractors work varied schedules, many working part time.)
9. On premises: Does the person perform the work at your business location? (Independent Contractors generally have their own office location where they complete their work.)
10. Order & Sequence: Do you decide the order in which the work is completed? (Independent Contractors have control over the order & sequence of completion.)
11. Reports: Do you require the person to submit regular reports? (Independent Contractors report on progress and completion.)
12. Payment: Is the person paid on a weekly or monthly basis? (Independent Contractors are generally paid by the job or project.)

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13. Expenses: Do you pay for the person's business and travel expenses? (Independent Contractors pay their own expenses, although many add these items to their final Invoice.)

14. Tools & Equipment: Do you supply the person with tools, supplies or equipment? (Independent Contractors should have their own.)

15. Investment: Does the person lack a significant investment in tools, supplies and equipment for the business? (Independent Contractors have an investment in their own business.)

16. Profit or Loss: Is the person insulated from suffering a loss in performing the work for their company? (Independent Contractors make a profit based on income and expenses.)

17. Firms Serviced: Does the person work only for your company? (Independent Contractors provider their service to multiple companies.)

18. General Public: Does the person perform work for you That they do not offer to the general public? (Independent Contractors offer their services to the general public.)

19. Right to Fire: Do you have the right to fire the person at any time? (Independent Contractors generally work under contract for specific assignments.)

20. Right to Quit: Can the person end the relationship at any time without liability? (Independent Contractors generally work under contract for specific assignments and must completer them or risk legal liability.)

Some special notes that the IRS doesn't include in their "rules", but that have been used to classify a person as an employee:

Letting an Independent Contractor use a company vehicle or paying your Independent Contractor on the same day that you pay your employees can change the relationship to employee/employer.



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State "ABC Test"

- A. Individual must be free from control or direction.
- B. Service must be performed outside the usual course of business or place of business.
- C. Individual must be customarily engaged in an independent occupation, trade, profession, or business of the same nature as that involved in the contract of service.

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