



# 1099 Contractor or W2 Employee?

HOW DOES THE IRS DETERMINE THE TAX STATUS + FILING OF YOUR WORKERS?

## ARE YOUR WORKERS CORRECTLY CLASSIFIED AND MANAGED FOR YOUR BUSINESS TAXES?

THIS WORKSHEET WILL HELP YOU FIGURE IT OUT!



### *Is your worker a 1099 or a W2?*

In general, if someone works for you short term + on a project basis without benefits, they are considered a 1099 independent contractor. But what happens when you have a recurring relationship with a worker who only performs work for you? That's where the line starts to blur - and the burden is on the business to classify correctly.



### *How can you tell the difference?*

Again, the line blurs a lot between the two (even the IRS sometimes struggles with the difference!) However, a 1099 contractor generally behaves and interacts differently than a W2 employee. *(Check out the following page for more detailed comparisons on the differences between the two.)*



### *Still not sure if he's 1099 or W2?*

If it's still unclear after going through the checklist on the following page, the safest choice is to err on the side of classifying him as a W2 employee and treating him as such. (This will protect you from a LOT of potential fines and penalties in the future.) If you're still unclear, you can complete IRS form SS-8, and they'll give you an official determination on the worker's status.

*Of course, feel free to send us a message with any questions you may have - we'd love to help!*





# 1099 Contractor or W2 Employee?

A COMPARISON TO HELP YOU FIGURE OUT WHICH ONE YOUR WORKER IS\*

contractor

1099 W2

employee

## BEHAVIORAL

*As the business, do you have the right to control how and when they work?*

### Schedule

The worker defines the schedule and set hours that the work will be performed



The company defines the schedule and set hours that the worker performs the work

### Training

The worker pays for + provides the training for the job



The company pays for + provides training for the job

### Location

Worker is free to work where they choose, as long as the work gets done as agreed



The company defines where the work must be performed (usually on premises)

## FINANCIAL

*Who controls the worker's salary, and pays for their training and supplies?*

### Equipment

The worker provides the equipment for the job



The company provides the equipment for the job

### Reimbursement

Worker responsible to pay business + travel expenses, unless contract states otherwise



Employer pays for business and travel expenses

### Compensation

Paid a flat fee or hourly rate, invoiced to the company



Paid via payroll, based upon pay type

### Overtime

Not eligible for overtime pay (as outlined by the Dept. of Labor)



Eligible for overtime pay depending on job classification + hours worked

## RELATIONSHIP

*Is there a written contract? Is the relationship ongoing? Are there employee-type benefits?*

### Control

The method of completion is left to the discretion of the worker, as long as end result is met



The company defines the order of operation and method for completing project

### Exclusivity

Performs services for multiple persons or firms at the same time



Works solely for a single person or company

### Time

Working on a temporary or limited project(s) and free to offer services to the general public



Hired for long-term work over an extended period of time, and can be restricted from other work

*\* This tool is designed to help give you clarity and get you started. It is not to be relied upon for legal or tax advice. You may want to contact an attorney or tax accountant for specific concerns.*