

# 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.*

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