

University of Connecticut Health Center

IRS Guidelines for Employee or Independent Contractor Status

IRS Classification Factors:

The following list of IRS criteria establishing guidelines is provided to assist you in determining employee versus independent contractor status. These guidelines should be used to evaluate your particular case. Please review the guidelines to determine if the majority of your answers indicates employee status or independent contractor status.

1. INSTRUCTIONS:

- Employee -- Required to comply with the employer's instructions as to when, where and how he or she is to work.
- Independent Contractor -- Has right to follow own instructions.

2. TRAINING:

- Employee -- Required to be trained by an experienced employee to perform the work in a particular manner.
- Independent Contractor -- Does not require employer-provided training.

3. INTEGRATION:

- Employee -- Services are necessarily integrated into the business operations and the success or continuation of a business depends significantly upon the performance of these services.
- Independent Contractor -- Integration of services is not necessary.

4. SERVICES RENDERED PERSONALLY:

- Employee -- Required to render services personally, implying the employer is interested in the methods used to accomplish the work.
- Independent Contractor -- Not required to render the services personally.

5. HIRING, SUPERVISING AND PAYING ASSISTANTS:

- Employee -- Hired, supervised and paid directly by the employer to perform services.
- Independent Contractor -- A worker who hires, supervises and pays his or her own assistants in order to help accomplish the work, indicating that the worker is responsible only for attaining a certain result.

6. CONTINUING RELATIONSHIP:

- Employee -- Maintains a continuing relationship with the employer, which may include instances where work is performed at recurring but irregular intervals.
- Independent Contractor -- A continuing relationship is not necessarily assumed to exist.

7. SET HOURS OF WORK:

- Employee -- Required to perform services within set hours of work established by the employer.
- Independent Contractor -- Hours of work established by the worker.

8. TIME REQUIRED:

- Employee -- Usually expected to devote full time to the business, implying that the worker is restricted from performing services for other businesses.
- Independent Contractor -- Free to work when and for whom he or she chooses.

9. WORK PERFORMED ON EMPLOYER'S PREMISES:

- Employee -- Performs the work on the employer's premises, even when the work could be performed somewhere else. The importance of this factor depends on the nature of the service involved and the extent to which the employer requires that the worker perform the work on the employer's premises.
- Independent Contractor -- Work is performed, for example, at the worker's office.

10. ORDER OR SEQUENCE SET:

- Employee -- Required to follow the routines and schedules established by the employer.
- Independent Contractor -- Free to follow own pattern of work.

11. ORAL OR WRITTEN REPORTS:

- Employee -- Required to submit regular reports to the employer.
- Independent Contractor -- Not necessarily required to submit regular reports.

12. SCHEDULED PAYMENT:

- Employee -- Receives payment by the hour, week or month.
- Independent Contractor -- Receives payment by the job or on a straight commission.

13. PAYMENT OF BUSINESS AND/OR TRAVEL EXPENSES:

- Employee -- Business and/or travel expenses are ordinarily paid by the employer, indicating that the employer retains the right to regulate and direct the worker's business activities.
- Independent Contractor -- May pay for own business and/or travel expenses.

14. FURNISHING OF TOOLS AND MATERIALS:

- Employee -- Tools and materials needed to perform the work are provided by the employer.
- Independent Contractor -- Generally furnishes his or her own tools and materials.

15. SIGNIFICANT INVESTMENT:

- Employee -- Lacks investment in the employer's facilities, indicating the worker's dependence on the employer for such facilities in order to perform the work.
- Independent Contractor -- Invests in facilities in order to perform the work, such as an office rented at fair value from an unrelated party.

16. REALIZATION OF PROFIT OR LOSS:

- Employee -- Cannot directly realize a profit or suffer a loss as a result of his or her services.
- Independent Contractor -- Subject to, for example, a real risk of economic loss due to investments, or liability expenses such as salary payments to unrelated employees.

17. WORKING FOR MORE THAN ONE BUSINESS AT A TIME:

- Employee -- Performs services for one person, or simultaneously for more than one person if such persons are part of the same service arrangement.
- Independent Contractor -- Performs services for a multiple of unrelated persons or businesses simultaneously.

18. MAKING SERVICE AVAILABLE TO GENERAL PUBLIC:

- Employee -- Services are available to only one employer at a time.
- Independent Contractor -- Services are made available to the general public on a regular and consistent basis.

19. RIGHT TO FIRE:

- Employee -- Employer has a right to discharge the worker and can exercise control on how the worker performs the work through the threat of discharge.
- Independent Contractor -- Cannot be fired so long as he or she produces a result that meets contractual specifications.

20. RIGHT TO QUIT:

- Employee -- Has the right to terminate his or her relationship at any time without incurring liability.
- Independent Contractor -- Can terminate services but only at the risk of, for example, financial loss or breach of contract litigation.