

# Independent Contractor vs. Employee

Use this checklist to determine whether a worker should be classified as an independent contractor or as an employee.

## Control

Degree of control is the No. 1 difference between engaging an independent contractor and hiring an employee. Independent contractors are tasked with managing both the process and outcome of their contract. How they choose to conduct the work needed to produce the results outlined in their contract is entirely up to them. They can decide where, when, and how they conduct their work.

## Business Ownership

Independent contractors build businesses around specialized skills or expertise that they provide to clients. They may be sole proprietors or have an incorporated business. They often perform work for multiple clients and have a business name.



## Proof of Self-Employment

Proof of self-employment can include a business or professional license, insurance certificates, or business cards. Keeping these records on file can help to prove that a worker is an independent contractor in the case of a future audit.

## Training

Independent contractors are skilled experts. Organizations are not responsible for providing them with training of any kind. Employees, on the other hand, typically receive some sort of training around the job duties.



## Marketing Autonomy

Independent contractors are free to market their services while working for a company. They may be working on multiple projects for different clients at the same time.

## Written Contract

A contract is a binding agreement that helps define a business relationship between an independent contractor and a client. A written contract can help avoid conflict down the road by defining what the independent contractor and the business is and is not responsible for, and outlining timelines, deliverables, and the definition of a completed work product.



## Scheduling

Independent contractors are free to create their own schedule. If possible, work should be performed offsite unless it is critical that they be onsite to complete the job. If an independent contractor works onsite, they should perform duties using their own equipment.

## Payment

Unlike employees who are typically salaried or paid by the hour, independent contractors submit invoices for their work. They tend to have a standard billing rate for their services.



## Taxes

Organizations are not responsible for withholding taxes for independent contractors. Clients will typically need to complete Form W-9 to request the correct name and Taxpayer Identification Number (TIN) of the independent contractor, and Form 1099-MISC, to report payments made. Independent contractors are responsible for paying both the employer and employee halves of Social Security and Medicare (FICA).

## Benefits

Organizations are not required to provide traditional benefits such as health insurance, stock options, or retirement plans to independent contractors. In order to protect against any legal issues, it is a good practice to make sure independent contractors have basic insurance requirements built into their contract.



## Delegating Work

Independent contractors are allowed to have their own employees, subcontractors, or partner consultants who they may work with to complete jobs.