

**IRS FACTORS WHICH DETERMINE  
THE STATUS OF AN EMPLOYEE**

	<b>EMPLOYEE</b> The rule of thumb is the amount of "control" a business exercises over a worker.	<b>INDEPENDENT CONTRACTOR</b> The rule of thumb is the amount of "independence" the contractor exercises.
<b>Continuing Relationship</b>	An employee has a continuing relationship with an employer.	An independent contractor works for himself and is a free agent
<b>Expenses</b>	An employee's business and travel expenses are paid by an employer. This shows that the employee is subject to regulation and control.	The independent contractor either builds expenses into the contract as a line item, or builds them into his fees.
<b>Full-Time Work</b>	An employee normally works full-time for employer.	An independent contractor can work when and for whom he chooses.
<b>Hiring Assistants</b>	An employee works for an <b>employer</b> that hires, supervises, and pays assistants.	An independent contractor hires, supervises, and pays assistants under a contract that requires him to provide materials and labor and to be responsible only for the result.
<b>Instructions</b>	An employee is required to comply with instructions about when, where, and how to work. The control factor is present if the employer has the right to give instructions.	The independent contractor receives an assignment or contract and has control over when and how to work.
<b>Integration</b>	An employee's services are integrated into the business operations.	The independent contractor's product is submitted to the business for review prior to integration.
<b>Investment</b>		An independent contractor has an investment in the facilities, equipment, and time he uses in performing services for someone else.
<b>Offers Services to General Public</b>		An independent contractor makes his or her services available to the general public.
<b>Order or Sequence Set</b>	An employee must perform services in the order or sequence set by an employer. This shows that the employee is subject to direction and control.	

<b>Payments</b>	An employee is paid by the hour, week, or month. The employer is responsible for withholding taxes and forwarding them to the appropriate agencies.	An independent contractor is paid by the job or on a straight commission, and is responsible for managing his taxes.
<b>Profit or Loss</b>	An employee contributes to the profit or loss of the employer.	An independent contractor can make a profit or suffer a loss.
<b>Reports</b>	An employee submits reports to an employer accounting for his or her actions.	
<b>Right to Fire</b>	An employee can be fired by an employer.	An independent contractor cannot be fired so long as he or she produces a result that meets the specifications of their contract.
<b>Right to Quit</b>	An employee can quit his or her job at any time without incurring liability, unless the employee has a contract.	An independent contractor usually agrees to complete a specific job and is responsible for its satisfactory completion, or is legally obligated to make good for failure to complete the job.
<b>Services Rendered Personally</b>	An employee renders services personally.	An independent contractor can assign the work to an alternate.
<b>Set Hours of Work</b>	An employee has set hours of work established by an employer.	An independent contractor is the master of his or her own time.
<b>Tools and Materials</b>	An employee is furnished significant tools, materials, and other equipment by an employer.	An independent contractor furnishes his own significant tools, materials and equipment.
<b>Training</b>	An employee is trained to perform services in a particular manner.	Independent contractors ordinarily use their own methods and receive no training from the purchasers of their services.
<b>Work Done on Premises</b>	An employee works on the premises of an employer, or works on a route or at a location designated by an employer.	An independent contractor has his own place of business and, depending upon the services required, might provide those services at a customer's site.
<b>Works for More Than One Person or Firm</b>	An employee works for others to whom he has been assigned by the employer.	An independent contractor gives services to a multiple of unrelated persons or firms at the same time.

**NOTE - IN ARIZONA:**

**Definition of employee.** An employee is an individual employed by an employer but does not

include an elected public official of the state or any person chosen by such officer to be on the officer's personal staff, or an appointee on the policy making level or an immediate adviser with respect to the exercise of the constitutional or legal powers of the office, unless the person or appointee is subject to the civil service laws of the state or any political subdivision of the state.

**Definition of employer.** An employer is a person who has 15 or more employees for each working day in each of 20 or more calendar weeks in the current or preceding calendar year, and any agent of an employer but not the United States, any department or agency of the United States, corporation of the United States or an Indian tribe; or a bona fide private membership club (other than a labor organization) that is exempt from taxation under section 501(c) of the IRS code. However, to the extent that any person is alleged to have committed any acts of sexual harassment, "employer" means, for purposes of administrative and civil actions regarding such allegations of sexual harassment, a person who has one or more employees in the current or preceding calendar year. Not covered are religious corporations, associations, educational institutions or societies that employ individuals of a particular religion to perform work connected with such corporation, association, educational institution or society activities.

