

IRS 20-point Checklist for Independent Contractors

Mistakenly classifying an employee as an independent contractor can result in significant fines and penalties. There are 20 factors used by the IRS to determine whether you have enough control over a worker to be an employer. Though these rules are intended only as a guide-the IRS says the importance of each factor depends on the individual circumstances-they should be helpful in determining whether you wield enough control to show an employer-employee relationship. *If you answer “Yes” to all of the first four questions, you are probably dealing with an independent contractor; “Yes” to any of questions 5 through 20 means your worker is probably an employee.*

No.	Topic	Criterion	Yes	No
1	Profit or loss	Can the worker make a profit or suffer a loss because of the work, aside from the money earned from the project? (This should involve real economic risk-not just the risk of not being paid.)		
2	Investment	Does the worker have an investment in the equipment and facilities used to do the work? (The greater the investment, the more likely independent contractor status.)		
3	Works for more than one firm	Does the person work for more than one company at a time? (This tends to indicate independent contractor status, but is not conclusive since employees can also work for more than one employer.)		
4	Services offered to the general public	Does the worker offer services to the general public?		
5	Instructions	Do you have the right to give the worker instructions about when, where, and how to work? (This shows control over the worker.)		
6	Training	Do you train the worker to do the job in a particular way? (Independent contractors are already trained.)		
7	Integration	Are the worker’s services so important to your business that they have become a necessary part of the business? (This may show that the worker is subject to your control.)		
8	Services rendered personally	Must the worker provide the services personally, as opposed to delegating tasks to someone else? (This indicates that you are interested in the methods employed, and not just the results.)		
9	Hiring assistants	Do you hire, supervise, and pay the worker’s assistants? (Independent contractors hire and pay their own staff.)		
10	Continuing relationship	Is there an ongoing relationship between the worker and yourself? (A relationship can be considered ongoing if services are performed frequently, but irregularly.)		

11	Work hours	Do you set the worker's hours? (Independent contractors are masters of their own time.)		
12	Full-time work	Must the worker spend all of his or her time on your job? (Independent contractors choose when and where they will work.)		
13	Work done on premises	Must the individual work on your premises, or do you control the route or location where the work must be performed? (Answering no doesn't by itself mean independent contractor status.)		
14	Sequence	Do you have the right to determine the order in which services are performed? (This shows control over the worker)		
15	Reports	Must the worker give you reports accounting for his or her actions? (This may show lack of independence)		
16	Pay Schedules	Do you pay the worker by hour, week, or month? (Independent contractors are generally paid by the job or commission, although by industry practice, some are paid by the hour.)		
17	Expenses	Do you pay the worker's business or travel costs? (This tends to show control.)		
18	Tools and materials	Do you provide the worker with equipment, tools, or materials? (Independent contractors generally supply the materials for the job and use their own tools and equipment.)		
19	Right to fire	Can you fire the worker? (An independent contractor can't be fired without subjecting you to the risk of breach of contract lawsuit.)		
20	Worker's right to quit	Can the worker quit at any time, without incurring liability? (An independent contractor has a legal obligation to complete the contract.)		

By signing below, I certify that all information provided is true and complete to the best of my knowledge.

Signature:	Date:
Print Name:	Title: