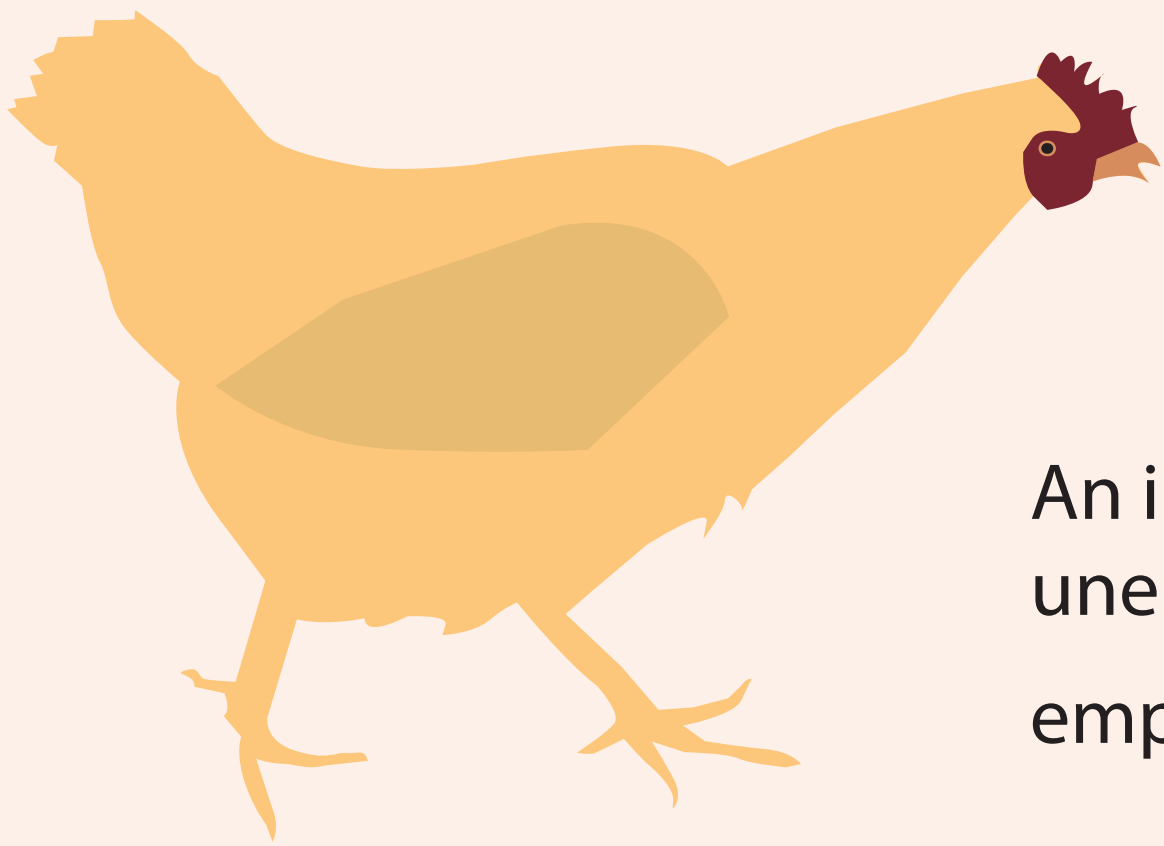


WHICH CAME FIRST 1099 OR W2?

Crack Open the Info on Misclassified Employees

It has been found that millions of employers have misclassified employees as contractors. The Internal Revenue Service (IRS) understands that of the millions of misclassified workers, some may be in error. However some employers misclassify independent contractors purposefully to avoid paying state and federal taxes, and reducing costs in labor.

FAQ



40% savings

An independent contractor is exempt from Social Security and unemployment insurance (UI) taxes. These tax savings to employers can add up to **a 40% savings on labor costs.**

COMPARING THE CHICKEN & THE EGG

W2

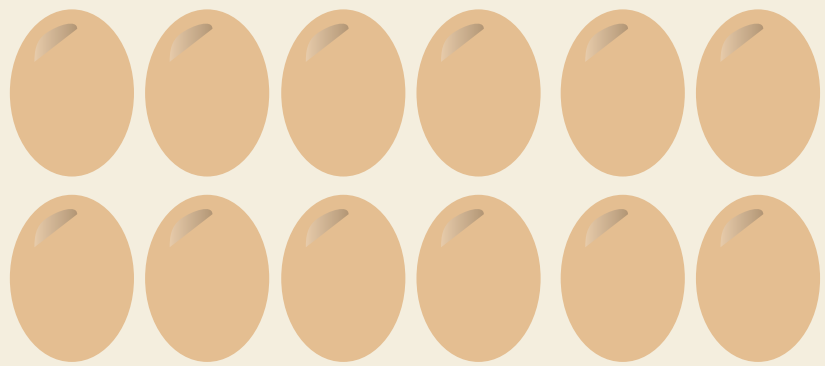
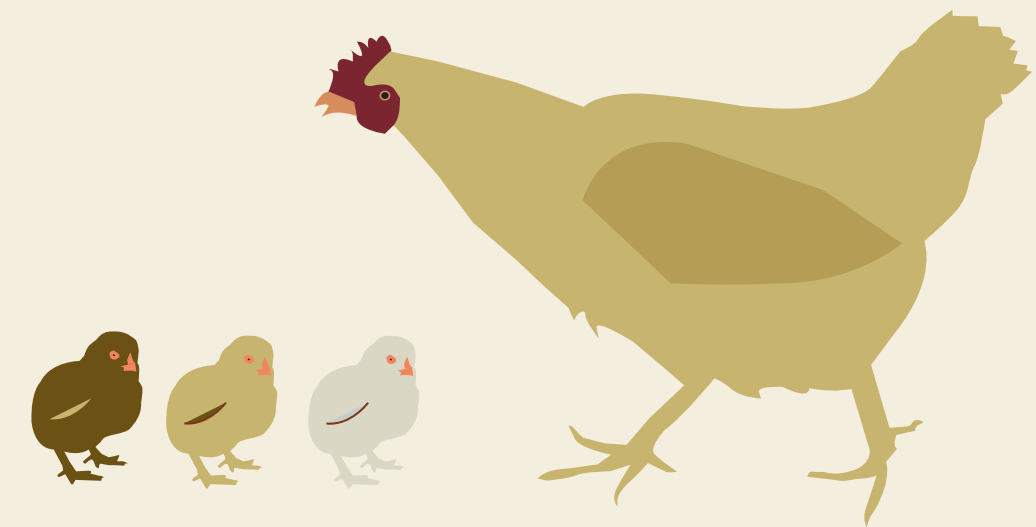
1099

- Performs duties assigned by employer — — Provides tools necessary to accomplish assigned tasks
- Training is provided by employer for work to be assigned — — Set own hours
- Works under one employer — — Can work for multiple companies/employers
- Company payroll- employer holds federal and state taxes, Social Security and Medicare — — Invoices personal work and hours on the job
- Typically offered employment benefits such as sick leave, holiday pay, health insurance and retirement plans — — Pays taxes to IRS and state departments. Companies do not withhold pay for federal taxes on contractor's behalf

FAQ

\$10.2 Million-

The dollar amount of grants awarded in **September 2014 to 19 states** to assist efforts to combat worker misclassification.



\$18.2 Million-

The dollar amount of wages recovered from the Department of Labor (DOL) finding **over 19,000 employees** misclassified by employers.



COUNTING YOUR CHICKENS

It is possible you may have misclassified your employees. Investigate your employee's positions. If you find that you have misclassified an employee you may have to compensate benefits for the employment time worked without benefits.

HATCHING A PLAN FOR MISCLASSIFICATION

There are many ways to get the help to correct a misclassification. Federal programs such as the Voluntary Classification Settlement is offered to assist employers in correcting misclassifications. You can also seek help from the IRS by filing Form SS-8, Determination of Worker Status for Purposes of Federal Employment and Income Tax Withholding.

