WISDOM OVER WEALTH
YOUR CPA PARTNER IN MINISTRY

Individual Name:

Definition of an employee: an individual who performs services for an employer, who is subject to the employer's control regarding what will be done and how it will be done (right to direct and control the means and details of the work).

Definition of a contractor: an individual who performs services for an employer, but the employer controls only the RESULT of the work, not the means or methods of accomplishing the results.

Twenty Common Law Factors:

The result to be accomplished and the details and method (right to direct) used in achieving the end result agreed upon.

Instructions: For each question below answer whether the individual in question falls under the contactor or employee category. At the end add up the totals. An individual should only be classified as a contractor if most of the answers fall into the contractor classification.

Employee: __ / 20	Contractor: __ / 20	Either/Neither/Both: __ / 20

1. Instructions:

Employee ☐	**Contractor** ☐
Must follow set and/or mandatory instructions where, when, how to perform work.	Follows own individual instructions. Performs work based upon independently established procedures or industry specs.

2. Training:

Employee ☐	**Contractor** ☐
Receives and/or is required to receive training.	Skilled professional requiring no training to adequately perform services.

3. Integration of Services:

Employee ☐	**Contractor** ☐
Provides essential business which meld into overall business operations.	Work performed is not an integral part, it is a unique service.

4. Services Rendered Personally:

Employee ☐	**Contractor** ☐

Required to render services personally.	Has assistants or employees while retaining the right to hire others to perform the required work.

5. Hiring, Supervising, and Paying Assistants:

Employee ☐	**Contractor** ☐
Does not supervise or hire others.	Hires assistants at his or her expense to perform all or part of project

6. Regular and Continuous Relationship:

Employee ☐	**Contractor** ☐
Services are part of a continuing relationship	Provides services and contracts for separate and distinct projects, not on continuing basis.

7. Set hours of work:

Employee ☐	**Contractor** ☐
Required to work set hours.	Retains the right to complete work at any time.

8. Full Time Required:

Employee ☐	**Contractor** ☐
Required to devote full-time to a job on a non-project basis.	Contracts specifies what is to be accomplished by what date.

9. Doing Work on Employer's Premises:

Employee ☐	**Contractor** ☐
Required to work on-site, when alternatives exist.	Rents/leases location where work is performed.

10. Order or Sequence Set:

Employee ☐	**Contractor** ☐
Required to perform task in set manner, routine, schedule.	Has full discretion over routine or manner in which to perform services.

11. Oral or Written Reports:

Employee ☐	**Contractor** ☐
Required to submit regular oral and/or written work reports where work is evaluated.	Has few or no obligations to file regular written or oral reports.

12. Payment by hour, week, month:

Employee ☐	**Contractor** ☐
A person is paid at regular intervals.	Compensation determined separately by project or based on fixed fee.

13. Payment of Business and/or Traveling Expenses (out of pocket expenses):

Employee ☐	**Contractor** ☐
Expenses are paid or reimbursed.	No reimbursement for out-of-pocket expenses.

14. Furnish tools or Equipment (tools, materials, other equipment):

Employee ☐	**Contractor** ☐
Tools and materials are furnished.	Furnishes own tools and materials.

15. Significant Investment:

Employee ☐	**Contractor** ☐
Does not invest in facilities and/or equipment used to perform work.	Possesses and invests in facility and/or equipment to perform services.

16. Realization of Profit or Loss:

Employee ☐	**Contractor** ☐
Compensated for services at fixed rate regardless of profitability.	Shoulders the possibility of incurring a loss and realizing a profit.

17. Major Sources of Income (working for more than one firm at a time):

Employee ☐	**Contractor** ☐
Performs services for only one firm at a time, on a non-project basis.	Has numerous concurrent clients and is not financially dependent on any one client or project.

18. Making Space Available to General Public (other people):

Employee ☐	**Contractor** ☐
Services are not offered to general public.	Offers services to the public.

19. Right to discharge:

Employee ☐	**Contractor** ☐
Can be discharged at any time with no liquidated damages.	Cannot be discharged other than for failure to perform contracted service, failure to produce product/results.

20. Right to terminate (at will):

Employee ☐	**Contractor** ☐
May terminate relationship at any time.	May terminate his or her relationship only upon completion of contract or breach of contract by other party.

References and Resources:

https://www.irs.gov/businesses/small-businesses-self-employed/independent-contractor-self-employed-or-employee

https://www.irs.gov/pub/irs-pdf/p5520.pdf

https://s3.amazonaws.com/foursquare.org/wp-content/uploads/sites/2/2023/03/30105853/Tips-for-Using-Independent-Contractors.pdf

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