

7

My worker performs similar work for other businesses so the worker is an independent contractor.

NOT TRUE. Performing similar work for other businesses is not, by itself, a determining factor. In addition, the relationship the worker may have with the other businesses is not a controlling factor when determining their status as an employee or independent contractor with your business. The working relationship with each business is looked at separately.

8

My worker has a city business license and business card, so the worker is an independent contractor.

NOT TRUE. A city business license and business card, by themselves, do not make a worker an independent contractor. All of the common law factors need to be reviewed and weighed with respect to the specific circumstances of the services provided by each worker.

9

I pay my workers solely by commission; therefore, they are independent contractors.

NOT TRUE. The method of payment is not, by itself, a determining factor. All of the common law factors need to be considered and weighed to determine whether a worker is an employee. If the worker is an employee, then all remuneration for services (salary, hourly pay, piece rate, commissions, bonuses, stock options, vehicle, etc.) is wages.

For more information, refer to the Information Sheet: Wages (DE 231A).

To help employers correctly classify workers and report payroll taxes, EDD offers no fee State payroll tax seminars, either classroom-style or Web-based (Webinars). The classroom seminars are offered in various locations throughout California. To access a Webinar or locate a classroom seminar near you, visit our Web site at www.edd.ca.gov/Payroll_Tax_Seminars/. For further assistance, contact our Taxpayer Assistance Center at (888) 745-3886.

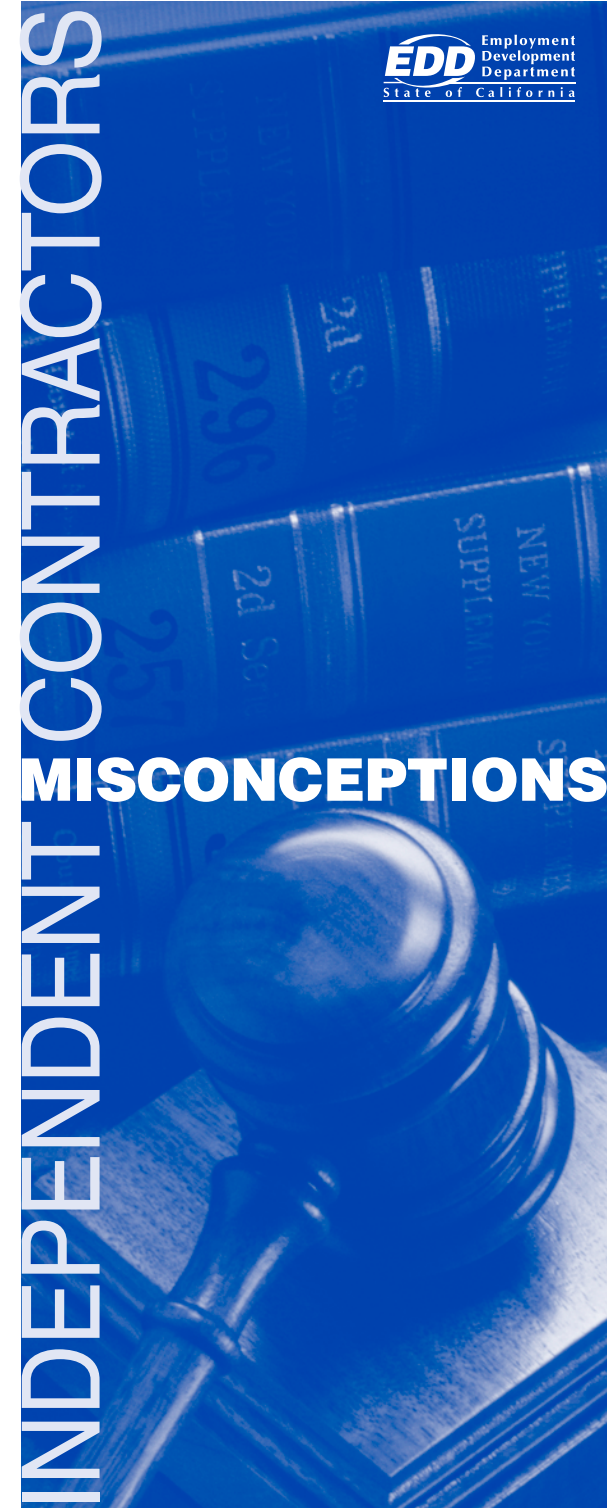


STATE OF CALIFORNIA

LABOR AND WORKFORCE DEVELOPMENT AGENCY

EMPLOYMENT DEVELOPMENT DEPARTMENT

EDD is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities. Requests for services, aids, and/or alternate formats need to be made by calling (888) 745-3886 (voice), or TTY (800) 547-9565.



INDEPENDENT CONTRACTORS

MISCONCEPTIONS

When is an individual an employee?

For more information, refer to the Information Sheet: Employment (DE 231) which is available on the EDD Web site at www.edd.ca.gov.

An individual is an employee when hired by an employer to perform services and either (1) the law defines the worker as an employee (statutory employee) or (2) the employer has the right to exercise control over the manner and means by which the worker performs his/her services (common law employee).

COMMON MISCONCEPTIONS

1

If I issue an Internal Revenue Service (IRS) Form 1099-MISC, the worker is an independent contractor.

NOT TRUE. An IRS Form 1099-MISC is simply a method the government uses to track and report certain types of nonemployment income. When you provide an IRS Form 1099-MISC to a worker for payment of services, it does not automatically make the worker an independent contractor.

2

If I pay a worker less than \$600 in a year, then the worker is not subject to California payroll taxes.

NOT TRUE. The amount paid to a worker is not, by itself, a determining factor whether a worker is an employee or independent contractor. The amount paid to a worker may determine if you should issue an IRS Form 1099-MISC. For information on the federal requirements, access the IRS Web site at www.irs.gov or contact IRS at (800) 829-1040.

3

The part-time, temporary, probationary, and substitute workers I employ are day laborers or casual laborers, not employees.

NOT TRUE. The number of hours worked is not a factor used to determine whether a worker is an employee. Whether you call your workers part-time, full-time, temporary, permanent, probationary, or substitute does not change the fact that they are employees.

For more information, refer to the Information Sheet: Casual Labor (DE 231K).

4

When a family member works for me, he/she is not an employee.

NOT TRUE. Family members working for your business are employees and subject to California payroll taxes unless certain conditions are met.

For more information, refer to the Information Sheet: Family Employment (DE 231FAM).

5

My worker and I have signed a written contract that makes my worker an independent contractor.

NOT TRUE. A written contract or agreement does not necessarily depict the actual relationship. The actual practices of the parties in a relationship are more important than the wording of an agreement in determining whether a worker is an employee or independent contractor.

For more information, refer to the Information Sheet: Employment (DE 231).

6

My competitors treat their workers as independent contractors; therefore, it is okay for me to treat my workers as independent contractors.

NOT TRUE. The law defines employment relationships, not you or the actions of your competitors. If you misclassify your workers as independent contractors, EDD may assess you for the unpaid taxes for any unreported employees.