

Independent Contractor or Employee?

As a business owner, it is an important responsibility to understand the difference between an independent contractor (IC) versus an employee **when hiring someone**, and also **when being hired**. In order to determine if a worker is an IC or an employee, a number of factors are collectively considered to determine: **The degree of control an employer has** over the worker and **the degree of independence a worker has** from the employer.

The IRS has grouped these factors assessing the degree of control or independence into three main categories: Behavioral Control, Financial Control, and The Relationship of the Parties. There isn't a certain number of factors or even one single factor that makes a worker an IC or an employee. The determination is based on each worker's unique circumstances.

Why Does This Matter?

Whether intentional or not, misclassification is an important issue because it harms Iowa's economy, its businesses and its workers. There are consequences to workers, employers, and taxpayers as a result of not classifying workers correctly. For example, workers may be denied benefits such as worker compensation or employer health insurance; they may lose other labor law safeguards such as minimum wage, overtime and FMLA law protection. Employers that do not pay the appropriate taxes may face penalties; and when the government collects less in taxes, taxpayers must bear the costs that have been avoided by others.

Intentional misclassification of workers is illegal! An increased effort is being made in Iowa to investigate and enforce existing laws to correct worker misclassification.

Where Can I Get More Information or Assistance?

There are State and Federal government organizations available to provide information and assistance so you can make an accurate determination of worker classification. The following web sites offer additional information to help with the "Independent Contractor or Employee" determination process.

STATE: [Iowa Workforce Development - Worker Misclassification](#)

[Iowa Department of Revenue](#)

Contact Iowa Workforce Development Misclassification Unit at:

Phone: 515-281-5387 or 1-800-562-4392 **E-mail:** Misclassification@iwd.iowa.gov

FEDERAL: [Publication 1779 - Independent Contractor or Employee](#)

[Employee vs. Independent Contractor – Seven Tips for Business Owners](#)

[Form SS-8](#)

Form SS-8 can be used by an employer or employee to request a determination from the IRS of the worker's classification for federal employment and income tax withholding. The State of Iowa will accept the SS-8 determination for state compliance purposes.

Contact an IRS tax specialist: Phone 1-800-829-1040