

# IRS News Release

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Media Relations Office

Washington, D.C.

Media Contact: 202.622.4000

[www.irs.gov/newsroom](http://www.irs.gov/newsroom)

Public Contact: 800.829.1040

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## **IRS Announces New Voluntary Worker Classification Settlement Program; Past Payroll Tax Relief Provided to Employers Who Reclassify Their Workers as Employees**

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WASHINGTON – The Internal Revenue Service today launched a new program that will enable many employers to resolve past worker classification issues and achieve certainty under the tax law at a low cost by voluntarily reclassifying their workers.

This new program will allow employers the opportunity to get into compliance by making a minimal payment covering past payroll tax obligations rather than waiting for an IRS audit.

This is part of a larger “Fresh Start” initiative at the IRS to help taxpayers and businesses address their tax responsibilities.

“This settlement program provides certainty and relief to employers in an important area,” said IRS Commissioner Doug Shulman. “This is part of a wider effort to help taxpayers and businesses to help give them a fresh start with their tax obligations.”

The new Voluntary Classification Settlement Program (VCSP) is designed to increase tax compliance and reduce burden for employers by providing greater certainty for employers, workers and the government. Under the program, eligible employers can obtain substantial relief from federal payroll taxes they may have owed for the past, if they prospectively treat workers as employees. The VCSP is available to many businesses, tax-exempt organizations and government entities that currently erroneously treat their workers or a class or group of workers as nonemployees or independent contractors, and now want to correctly treat these workers as employees.

To be eligible, an applicant must:

- Consistently have treated the workers in the past as nonemployees,
- Have filed all required Forms 1099 for the workers for the previous three years
- Not currently be under audit by the IRS, the Department of Labor or a state agency concerning the classification of these workers

Interested employers can apply for the program by filing [Form 8952](#), Application for Voluntary Classification Settlement Program, at least 60 days before they want to begin treating the workers as employees.

Employers accepted into the program will pay an amount effectively equaling just over one percent of the wages paid to the reclassified workers for the past year. No interest or penalties will be due, and the employers will not be audited on payroll taxes related to these workers for prior years. Participating employers will, for the first three years under the program, be subject to a special six-year statute of limitations, rather than the usual three years that generally applies to payroll taxes.

Full details, including FAQs, are available on the [Employment Tax pages of IRS.gov](#), and in Announcement 2011-64, posted today.