

**SS-8 Determination—Determination for Public Inspection**

Occupation 02CSP Business/Computer Services/Office/Sales	Determination: <input checked="" type="checkbox"/> Employee <input type="checkbox"/> Contractor
UILC	Third Party Communication: <input checked="" type="checkbox"/> None <input type="checkbox"/> Yes

I have read Notice 441 and am requesting:

- Additional redactions based on categories listed in section entitled "Deletions We May Have Made to Your Original Determination Letter"
- Delay based on an on-going transaction
- 90 day delay

**For IRS Use Only:**

**Facts of Case**

The worker initiated the request for a determination of his work status as a cashier and laborer in tax years 2015 and 2016. The firm's business is described as a large building with rental spaces for selling merchandise.

The firm's response was signed by the owner/member. The firm's business is described as an antiques mall that sells antiques and rents spaces to other antiques vendors. The worker performed services doing odd jobs around the shop that included janitorial work and moving inventory around. The firm indicated the worker performed services for the firm and other vendors.

According to the firm, the worker was given instructions given on site and he received his job assignments verbally. The worker determined methods to use to perform the job tasks with direction from the owner. The worker's daily routine included general cleaning and maintenance of the building and moving inventory for the firm and various vendors. The services were rendered on the firm's premises. The worker was required to perform the services personally.

The worker stated he was given specific training and instructions on how to run the cash register, how to paint, and cut wood for displays. The job assignments were written on a calendar. Any problems or complaints encountered by the worker were directed to the firm for resolution. The services were rendered from 10 am to 6 pm on the cash register and helping to move furniture and set up displays. The worker was not required to perform the services personally; any additional personnel were not hired by or paid by the worker.

The firm and worker concurred the firm provided janitorial equipment, supplies, and tools and that the worker did not incur expenses in the performance of the job. The firm responded that the worker was paid a daily rate and the worker indicated he was paid an hourly wage; however, both agree that the customers paid the firm. Both parties acknowledged that the firm's owner established the level of payment for services rendered or products sold.

There were no benefits extended to the worker. Either party could terminate the work relationship without incurring a liability or penalty. The worker indicated he was not performing same or similar services for others during the same time frame; the firm did not respond. The work relationship ceased when the worker returned to college.

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## Analysis

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A worker who is required to comply with another person's instructions about when, where, and how he or she is to work is ordinarily an employee. This control factor is present if the person or persons for whom the services are performed have the right to require compliance with instructions. Some employees may work without receiving instructions because they are highly proficient and conscientious workers or because the duties are so simple or familiar to them. Furthermore, the instructions, that show how to reach the desired results, may have been oral and given only once at the beginning of the relationship.

Payment by the hour, week, or month generally points to an employer-employee relationship, provided that this method of payment is not just a convenient way of paying a lump sum agreed upon as the cost of a job. In such instances, the firm assumes the hazard that the services of the worker will be proportionate to the regular payments. This action warrants the assumption that, to protect its investment, the firm has the right to direct and control the performance of the workers. Also, workers are assumed to be employees if they are guaranteed a minimum salary or are given a drawing account of a specified amount that need not be repaid when it exceeds earnings.

If the services must be rendered personally, presumably the person or persons for whom the services are performed are interested in the methods used to accomplish the work as well as in the results.

Lack of significant investment by a person in facilities or equipment used in performing services for another indicates dependence on the employer and, accordingly, the existence of an employer-employee relationship. The term "significant investment" does not include tools, instruments, and clothing commonly provided by employees in their trade; nor does it include education, experience, or training. Also, if the firm has the right to control the equipment, it is unlikely the worker had an investment in facilities.

A person who can realize a profit or suffer a loss as a result of his or her services is generally an independent contractor, while the person who cannot is an employee. "Profit or loss" implies the use of capital by a person in an independent business of his or her own. The risk that a worker will not receive payment for his or her services, however, is common to both independent contractors and employees and, thus, does not constitute a sufficient economic risk to support treatment as an independent contractor. If a worker loses payment from the firm's customer for poor work, the firm shares the risk of such loss. Control of the firm over the worker would be necessary in order to reduce the risk of financial loss to the firm. The opportunity for higher earnings or of gain or loss from a commission arrangement is not considered profit or loss.

We have considered the information provided by both parties to this work relationship. In this case, the firm retained the right to change the worker's methods and to direct the worker to the extent necessary to protect its financial investment and business reputation and to ensure its customers' satisfaction. The worker was not operating a separate and distinct business; the worker did not invest capital or assume business risks, and therefore, did not have the opportunity to realize a profit or incur a loss as a result of the services provided. Integration of the worker's services into the business operations generally shows that the worker is subject to direction and control. When the success or continuation of a business depends to an appreciable degree upon the performance of certain services, the workers who perform those services must necessarily be subject to a certain amount of control by the owner of the business. In this case, the worker was not engaged in an independent enterprise, but rather the services performed by the worker were a necessary and integral part of the firm's business.

## CONCLUSION

Based on the above analysis, we conclude that the firm had the right to exercise direction and control over the worker to the degree necessary to establish that the worker was a common law employee, and not an independent contractor operating a trade or business.