

SS-8 Determination—Determination for Public Inspection

Occupation

02CSP Business/Computer Services/Office/Sales

Determination:

☒ Employee☐ Contractor

UILC

Third Party Communication:

☒ None☐ 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 requested a determination of employment status for services performed for the firm in 2015-2017 as a taxidermist. The firm operates a taxidermy business and responded to our request for information as follows:

The firm owns and operates a taxidermy studio. The worker performed services in taxidermy. The firm believes the worker was correctly treated as an independent contractor because he came and went on his own schedule, if he did not work he did not get paid, he used his own tools, he did not perform proprietary tasks, and he was paid piecework for each completed project. There was no written agreement. The customers gave instructions on what they wanted. There are typically 8-10 work orders and the worker was able to choose which order he preferred to handle. The worker then applied his own skills and techniques to the project. The worker determined his own methods. He contacted the firm if there were problems. The worker had to remove the tags from the trophy when completed and give to the firm owner. All services were personally performed at the firm's location. The firm provided the studio and materials. The worker provided his own tools. Customers paid the firm. Either party could have terminated without liability. The firm established the level of payment received.

The firm attached a letter of further explanation that stated they believe the worker was an independent contractor because:

- he was paid on a piecework basis
- the pay was based on the size of the trophy rather than the number of hours it took
- he came and went as projects were available and he was not paid if no projects were available
- he used his own tools to complete the projects
- he did not perform any proprietary tasks for the business
- he received a Form 1099 MISC
- he conducted his work using his own skills and techniques. He had control over how his services were provided
- The worker was free to provide his services to other businesses and to the general public
- The projects were short term in nature and the worker had a great deal of flexibility and freedom in completing them
- all similar workers were also treated as independent contractors

Analysis

As is the case in almost all worker classification cases, some facts point to an employment relationship while other facts indicate independent contractor status. The determination of the worker's status, then, rests on the weight given to the factors, keeping in mind that no one factor rules. The degree of importance of each factor varies depending on the occupation and the circumstances.

Evidence of control generally falls into three categories: behavioral control, financial control, and relationship of the parties, which are collectively referred to as the categories of evidence. In weighing the evidence, careful consideration has been given to the factors outlined below. Therefore, a statement that the worker was an independent contractor pursuant to an agreement is without merit. For federal employment tax purposes, it is the actual working relationship that is controlling and not the terms of the contract (oral or written) between the parties.

Factors that illustrate whether there is a right to control how a worker performs a task include training and instructions. In this case, you retained the right to change the worker's methods and to direct the worker to the extent necessary to protect your business. 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. The worker was able to choose his project from the list the firm offered. He reported to the firm when problems occurred and notified the firm upon completion of the project. The worker was experienced and did not need supervision. You maintained the right to direct and control the worker even if you did not exercise that right.

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.

Factors that illustrate whether there is a right to direct and control the financial aspects of the worker's activities include significant investment, unreimbursed expenses, the methods of payment, and the opportunity for profit or loss. In this case, 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. 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. The worker performed his services for your customers as a representative of your firm. He personally performed his services at your business location.

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. The worker had no investment in the firm's business and could not suffer a loss.

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.

Firm: For further information please go to www.irs.gov Publication 4341