

SS-8 Determination—Determination for Public Inspection

Occupation

02OFF Assistant

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 initiated the request for a determination of her work status as an assistant performing duties such as putting together programs for the radio show and boot camp, managing the emails, coordinating the transactions when a house was for sale, ordering supplies, attending meetings, and whatever else within reason. For tax year 2018 she received Form 1099-MISC. The firm's business is described as a real estate brokerage firm.

The firm's response was signed by the treasurer. The firm is a licensed real estate broker. The worker provided clerical services as needed.

The worker indicated that she wasn't given training and/or instructions. She was called or messaged multiple times a day through email and verbally with job assignments. The firm determined the methods by which the worker's services were performed; and, any problems or complaints encountered by the worker were directed to the firm for resolution. She performed her services from 10am to 6pm on the firm's premises with an occasional 9am meeting. Her routine consisted of making phone calls, responding to emails, organizing transaction files, and other tasks as requested. The worker was required to perform the services personally; any additional personnel was hired and paid by the firm.

According to the firm, the worker's training/instructions consisted of explaining to the worker where to obtain information to complete the project. The job assignments were given to her verbally by her supervisor; and, the worker was free to determine the methods by which she performed the services. Any problems or complaints encountered by the worker were directed to the firm for resolution. The firm stated the worker's services were rendered on the firm's premises with hours varying daily. The worker was required to perform the services personally.

The firm and worker acknowledged the firm provided her work space, a computer, office equipment, furniture, and office supplies. The worker furnished nothing other than her personal cell phone. The worker did not lease equipment, space, or a facility. The worker was reimbursed if she purchased office supplies. The worker was paid an hourly wage; customers paid the firm. The worker was not covered under the firm's workers' compensation insurance policy. Both parties concur the worker was not at risk for a financial loss in this work relationship. The worker did not establish level of payment for services provided or products sold; she was paid an hourly wage for actual hours worked.

The firm and worker agree there were no benefits extended to the worker and that either party could terminate the work relationship without incurring a liability or penalty. The firm responded that the worker was performing same or similar services for others during the same time frame; the worker disagreed. The firm indicated the worker signed a nondisclosure to protect firm's proprietary secrets. The worker resigned after finding employment closer to home.

Analysis

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.

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.

If the work is performed on the premises of the person or persons for whom the services are performed, that factor suggests control over the worker, especially if the work could be done elsewhere. Work done off the premises of the person or persons receiving the services, such as at the office of the worker, indicates some freedom from control. However, this fact by itself does not mean that the worker is not an employee.

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.

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 and that its contractual obligations were met. 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.