

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

Occupation

03CRA Craftspersons

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 his work status as a graphic designer and sign fabricator in tax year 2018, for which he received Form 1099-MISC. The firm's business is described as a graphics and sign print shop.

The firm's response was signed by the owner. The firm's business is retail sales and the worker provided services as a general table worker.

The worker stated that he was given specific company rules, which if memorized he would receive \$100 bonus. The job assignments were given verbally, in addition to written work orders. The firm determined the methods by which the worker's services were performed. Any problems or complaints encountered by the worker were directed to the firm for resolution. The worker performed the services primarily on the firm's premises with installations at various locations. The worker's daily routine consisted of a production meeting from 9 to 10am, production from 10 to 12pm, ½ hour lunch followed by production from 12:30 to 4:30, and with a production meeting from 4:30-5pm. The worker was required to perform the services personally; any additional personnel were hired and paid by the firm.

The firm responded that no training and/or instructions were given since the worker had experience. The job assignments were given verbally at the production meeting. The firm determined the methods by which the worker's services were performed. The worker's routine was to stick vehicle graphics and to clean and organize. The worker's services were rendered on the firm's premises. The worker attended production meetings on days he was there. The worker was not required to perform the services personally.

The worker indicated the firm provided printers, computers, tools, materials, and vehicles. The worker furnished nothing; but, he did incur the expense for gas for bank runs and supplies and was not reimbursed. The worker did not lease equipment, space, or a facility. The firm paid the worker an hourly wage; and, the customers paid the firm. The worker was not covered under the firm's workers' compensation insurance policy. He stated he was not at risk for a financial loss in this work relationship and that it was the firm that established the level of payment for the services provided and/or products sold.

The firm acknowledged providing the graphics and the worker furnished tools. The worker did not lease equipment, space, or a facility. The worker was paid an hourly wage. The customers paid the firm. The worker was covered under the firm's workers' compensation insurance policy. The worker did not establish level of payment for services provided or products sold.

The firm and worker concur there were no benefits such as insurance, paid vacations, paid holidays, or personal days made available to the worker; however, the worker noted there was an employee-of-the-month bonus and rules bonus. Either party could terminate the work relationship without incurring a liability or penalty. The worker was not performing same or similar services for others during the same time frame. The worker stated he was referred to as an employee, a designer, and installer. The firm indicated the worker wore a shirt with the firm's logo. The firm no longer required worker's assistance and the worker was laid off.

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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.

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

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.

Please see [www.irs.gov](http://www.irs.gov) for more information including Publication 4341 Information Guide for Employers Filing Form 941 or Form 944 Frequently Asked Questions about the Reclassification of Workers as Employees and Publication 15 (Circular E) Employer's Tax Guide.