

SS-8 Determination—Determination for Public Inspection

Occupation

03PMW Auto Technician

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**

Information provided indicated the firm is an auto repair business. The worker provided services in 2015 as a mechanic. The firm reported the income on Form 1099-MISC indicating, the worker was an independent contractor because he had his own tools, did not require training or supervision and was not bound by a schedule. The firm stated work assignments were based on the work load. The firm stated the worker determined how the work was performed, in corporation with management. The firm indicated he came in only when needed and if available. All work was performed on the firm premises. He was required to perform the work personally. The firm indicated it provided the facilities, heavy equipment, materials and parts. The worker provided his expertise and labor. The worker was paid on commission, but guaranteed three hundred a week. The customer paid the firm. Either party could terminate the work relationship without incurring a penalty or liability. The firm stated he was not in direct contact with the customer. The firm indicated the worker decided to quit.

The worker indicated he worked Monday through Friday eight to five. The firm provided company uniforms. The worker indicated he opened and closed the chop. He diagnosed and repaired vehicles as they came into the shop. All work was performed on the firm premises. He was required to perform his services personally. The firm hired and paid all individuals. The worker indicated the firm provided the shop, lifts, air supply and electricity. He provided his own tools. He did not lease the space or equipment. He indicated he was paid by the hour and commission. Twenty-two dollars per hour or four hundred fifty weekly minimum. The customer paid the firm. He was given sick pay and holiday pay. Either party could terminate the work relationship without incurring a penalty or liability. He was represented as an employee of the firm. He quit as the owner was having difficulty paying him. The worker also indicated the amount reported on the Form 1099-MISC was incorrect.

ANALYSIS

The question of whether an individual is an independent contractor or an employee is one that is determined through consideration of the facts of a particular case along with the application of law and regulations for worker classification issues, known as "common law." Common law flows chiefly from court decisions and is a major part of the justice system of the United States. Under the common law, the treatment of a worker as an independent contractor or an employee originates from the legal definitions developed in the law and it depends on the payer's right to direct and control the worker in the performance of his or her duties. Section 3121(d)(2) of the Code provides that the term "employee" means any individual defined as an employee by using the usual common law rules.

Generally, the relationship of employer and employee exists when the person for whom the services are performed has the right to control and direct the individual who performs the services, not only as to what is to be done, but also how it is to be done. It is not necessary that the employer actually direct or control the individual, it is sufficient if he or she has the right to do so.

In determining whether an individual is an employee or an independent contractor under the common law, all evidence of both control and lack of control or independence must be considered. We must examine the relationship of the worker and the business. We consider facts that show a right to direct or control how the worker performs the specific tasks for which he or she is hired, who controls the financial aspects of the worker's activities, and how the parties perceive their relationship. The degree of importance of each factor varies depending on the occupation and the context in which the services are performed.

Therefore, your 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.

Analysis

We have applied the above law to the information submitted. 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.

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 financial investment.

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.

Factors that illustrate how the parties perceive their relationship include the intent of the parties as expressed in written contracts; the provision of, or lack of employee benefits; the right of the parties to terminate the relationship; the permanency of the relationship; and whether the services performed are part of the service recipient's regular business activities. 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 your business. Both parties retained the right to terminate the work relationship at any time without incurring a liability.

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. All work was performed under the firm's business name, utilizing the firm's equipment and supplies. The worker wore a company uniform, representing him as an employee of the firm. The worker indicated he was paid by the hour and/or guaranteed a set amount per week, indicating an employer/employee work relationship.