

# SS-8 Determination—Determination for Public Inspection

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| Occupation<br>03PMW.103 RepairMaintenanceWkr | Determination:<br><input checked="" type="checkbox"/> Employee <input type="checkbox"/> Contractor  |
| UILC   | Third Party Communication:<br><input checked="" type="checkbox"/> None <input type="checkbox"/> Yes |

## Facts of Case

The worker initiated the request for a determination of his work status as a welder in tax years 2013 and 2014. The firm's business is described as a repair facility for oil field tools – inspected, rebuilt, machined parts for repair.

The firm's response was signed by the owner. The firm's business is described as a machine shop. The worker performed services as a welder and mechanic.

According to the firm, there was no training or instructions given to the worker. The worker performed his services Monday through Friday from 8 a.m. to 5p.m. at the shop. The worker was required to perform the services personally; the worker did not hire or pay others. The worker did not lease space, equipment, or a facility. The firm paid the worker an hourly wage. The firm did not provide workers' compensation insurance coverage. The firm indicated the worker did not establish the level of payment for services provided or products sold. The firm responded that no benefits were available to the worker. Either party could terminate the work relationship without incurring a liability or penalty. The firm indicated the worker did not perform same or similar services for others.

The worker responded that he was given instructions to repair handling tools and meet deadline dates. The job assignments came from the firm/owner. It was the firm that 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 indicated the services were rendered at the firm's location from 7 a.m. to 6 p.m. Monday through Saturday. The worker responded that he was not required to perform the services personally; any additional personnel were hired and paid by the firm. According to the worker, the firm provided grinders, welding machine, welding rods, drills and drill bits, drill press, and lathes. He stated that he furnished nothing; he did not lease equipment and did not incur expenses in the performance of the job. He concurred that the firm paid him an hourly wage. The customer paid the firm. The firm established the level of payment for services provided or products sold. The worker responded that the benefits extended to the worker consisted of paid holidays, paid vacations, and bonuses. Either party could terminate the work relationship without incurring a liability or penalty. He stated that he was not performing same or similar services for others during the same time frame.

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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. See, for example, Rev. Rul. 68-598, 1968-2 C.B. 464, and Rev. Rul. 66-381, 1966-2 C.B. 449.

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. See Rev. Rul. 55-695, 1955-2 C.B. 410.

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. See Rev. Rul. 74-389, 1974-2 C.B. 330.

The fact that the person or persons for whom the services are performed furnish significant tools, materials, and other equipment tends to show the existence of an employer-employee relationship. See Rev. Rul. 71-524, 1971-2 C.B. 346.

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. See Rev. Rul. 70-309, 1970-1 C.B. 199. "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 and have applied the above law 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.