

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

Occupation

07ESW Security Officer

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 a security guard in tax year 2017. The firm's business is described as site security for local businesses.

The firm's response was signed by the firm's owner/president. The firm's business is described as a private security firm. The worker performed services as private security.

The worker indicated she was given specific training and instructions from another firm-worker on how to perform patrols, secure gates/fences/facility, manage deliveries, and alarm the system; she noted she was given a key to the facility she was assigned to. The job assignments were given by the firm and 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's services were rendered at the customer's location. The worker was required to perform the services personally; any additional personnel were hired and paid by the firm.

The firm responded that the worker was given a one-day training and instructions on the job site. The worker's job assignments were given via a schedule the company makes for the week. The customer's property manager or the firm determined the methods by which the worker's services were performed. The worker was required to contact the firm's owner and the property manager if problems arose that required resolution. The services were rendered at the customer's location. The firm indicated the worker was required to perform the services personally.

The worker stated the firm provided the uniform (including a coat), security badge, secondary badge identifying the firm's employee, security cart, and security reports. The worker furnished a flashlight. The worker did not lease equipment and did not incur expenses in the performance of the job. The firm paid the worker an hourly wage; the customers paid the firm. The worker was not covered under the firm's workers' compensation insurance policy. The worker indicates she did not establish level of payment for services provided.

The firm acknowledged that the worker was provided shirts, hat, and badge; and, the worker furnished pants. The worker did not lease equipment and did not incur expenses in the performance of the job other than gas back and forth to work. The worker was paid an hourly wage; and, the customers paid the firm. The worker was not covered under the firm's workers' compensation insurance policy. The worker was not at risk for a financial loss in this work relationship.

Both parties agreed that there were no benefits extended to the worker, that either party could terminate the work relationship without incurring a liability or penalty, and the worker was not performing same or similar services for others during the same time frame. The firm and worker concurred the worker performed the services under the firm's business name.

The worker provided a sample of the firm's daily security report, a photo of firm's uniform shirt, the firm's business card with worker information, and copy of a two-week schedule.

The firm provided a 'statement' that the new applicant was responsible for their taxes during their employment; each officer works under a 1099; firm is not responsible for taxes; and applicant is an independent sub contractor for the firm. Samples of the security daily report (event/occurrence) were provided, too.

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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.

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.

A requirement that the worker submit regular or written reports to the person or persons for whom the services are performed indicates a degree of control.

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.

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 firm's 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. 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.