

## ASK SCORE

### Independent Contractor or Employee?

You can save a fair amount of money by classifying a service provider as an Independent Contractor rather than an Employee. No Social Security, No Workers Comp, life is good. That is, of course, until the government, or a court, decides that your service providers should have been treated as employees. We have used the term “penny wise and pound foolish” in other advisories.

This one might better be called “penny wise and catastrophe foolish”. Let’s face it, the authorities lean toward the employee classification. The upshot is that when there is a problem, you have to show why they’re not employees. One way is for the “employee” to say that he knew he was an Independent Contractor. Unfortunately, he just got hurt on the job and just found out that he has no coverage for his medical bills. In a nanosecond, he forgot that he was ever independent, and anything he signed was too much printing in too small a space; he thought he was an employee all along. And that issue is only one of a dozen or so used to determine status.

So now you have his medical bills, back taxes for him as well as the rest of your “employees”, a new understanding....and no money. Search the Net to see the list of determining factors regarding the status of Employee versus Independent Contractor. One of them is whether your service provider brings his own tools to the job.

Now I have to ask: How many of you have a housekeeper that shows up at your house with his or her own dishwasher or vacuum cleaner? Do you simply pay them in cash? You may squeak by at home if you are very lucky, but in your business, you must be professional, ethical, and legal. Be very careful!

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