



## Guidelines for Determining Workers' Status

### IRS Three Factor Test - Employee or Independent Contractor?

#### 1. Behavioral Control

Facts that show whether the business has a right to direct and control how the worker does the task for which the worker is hired include the type and degree of:

- **Instructions the business gives the worker.** An employee is generally subject to the business' instructions about when, where, and how to work. All of the following are examples of types of instructions about how to do work:
  - a. When and where to do the work;
  - b. What tools or equipment to use;
  - c. What workers to hire or to assist with the work;
  - d. Where to purchase supplies and services;
  - e. What work must be performed by a specified individual;
  - f. What order or sequence to follow.

The amount of instruction needed varies among different jobs. Even if no instructions are given, sufficient behavioral control may exist if the employer has the right to control how the work results are achieved. A business may lack the knowledge to instruct some highly specialized professionals; in other cases, the task may require little or no instruction. The key consideration is whether the business has retained the right to control the details of a worker's performance or instead has given up that right.

- **Training the business gives the worker.** An employee may be trained to perform services in a particular manner. Independent contractors ordinarily use their own methods.

**Please respond to the following questions:**

	Yes	No
1. Is the worker required to comply with specific instructions on where, how and/or when the work is to be done?		
2. Does the university set the work schedule?		
3. Is the work performed at the university's place of business or at specific places designated by the university?		
4. Does the university determine, and/or furnish, the tools, equipment and/or materials to use?		
5. Does the university determine where the worker should purchase supplies and services?		
6. Must the services be rendered personally?		
7. Does the university determine what workers to hire or to assist with the work?		
8. Does the university hire, supervise and pay assistants to help the worker on the job?		
9. Does the university determine what work must be performed by a specified individual?		

10. Does the university direct the order or sequence in which the work is performed?		
11. Does the university provide training to the worker to perform the job in a particular manner?		

## 2. Financial Control

Facts that show whether the business has a right to control the business aspects of the worker's job include:

- **The extent to which the worker has unreimbursed business expenses.** Independent contractors are more likely to have unreimbursed expenses than are employees. Fixed ongoing costs that are incurred regardless of whether work is currently being performed are especially important. However, employees may also incur unreimbursed expenses in connection with the services they perform for their business.
- **The extent of the worker's investment.** An employee usually has no investment in the work other than his or her own time. An independent contractor often has a significant investment in the facilities he or she uses in performing services for someone else. However, a significant investment is not necessary for independent contractor status.
- **The extent to which the worker makes services available to the relevant market.** An independent contractor is generally free to seek out business opportunities. Independent contractors often advertise, maintain a visible business location, and are available to work in the relevant market.
- **How the business pays the worker.** An employee is generally guaranteed a regular wage amount for an hourly, weekly, or other period of time. This usually indicates that a worker is an employee, even when the wage or salary is supplemented by a commission. An independent contractor is usually paid by a flat fee for the job. However, it is common in some professions, such as law, to pay independent contractors hourly.
- **The extent to which the worker can realize a profit or loss.** Since an employer usually provides employees a workplace, tools, materials, equipment, and supplies needed for the work, and generally pays the costs of doing business, employees do not have an opportunity to make a profit or loss. An independent contractor can make a profit or loss.

Please respond to the following questions:

	Yes	No
12. The worker does not have unreimbursed business expenses. (True=Yes; False=No)		
13. Are travel and lodging expenses reimbursed by the university?		
14. The worker does not have a significant investment in equipment or facilities. (True=Yes; False=No)		
15. Does the worker work exclusively for the university?		
16. Does the worker work predominantly for the university rather than making services available to the general public?		
17. Are payments to the worker made by the hour, week or month rather than by the job or on a commission?		
18. The worker does not stand to realize a profit or a loss as a result of the work. (True=Yes; False=No)		
19. Has the worker received any pay from FDU during this calendar year through the Payroll system?		

## 3. Type of Relationship

Facts that show the parties' type of relationship include:

- **Written contracts describing the relationship the parties intended to create.** This is probably the least important of the criteria, since what really matters is the nature of the underlying work relationship, not what the parties choose to call it. However, in close cases, the written contract can make a difference.
- **Whether the business provides the worker with employee-type benefits, such as insurance, a pension plan, vacation pay, or sick pay.** The power to grant benefits carries with it the power to take them away, which is a power generally exercised by employers over employees. A true independent contractor will finance his or her own benefits out of the overall profits of the enterprise.
- **The permanency of the relationship.** If the company engages a worker with the expectation that the relationship will continue indefinitely, rather than for a specific project or period, this is generally considered evidence that the intent was to create an employer-employee relationship.
- **The extent to which services performed by the worker are a key aspect of the regular business of the company.** If a worker provides services that are a key aspect of the company's regular business activity, it is more likely that the company will have the right to direct and control his or her activities. For example, if a law firm hires an attorney, it is likely that it will present the attorney's work as its own and would have the right to control or direct that work. This would indicate an employer-employee relationship.

**Please respond to the following questions:**

	Yes	No
20. Is there a continuing relationship between the worker and the university?		
21. Is the worker required to devote his/her full time to the university?		
22. Are the services performed an integral part of the university's operations?		
23. Is the worker required to provide regular written or oral reports on the status of the project?		
24. Can the worker be discharged for reasons other than nonperformance of contract provisions?		
25. Can the worker terminate the relationship without liability?		

Totals:            Yes/EE: \_\_\_\_\_ No/IC: \_\_\_\_\_

No one factor stands alone in making a determination. Some factors may indicate the worker is an employee, while other factors may indicate the worker is an independent contractor. The key is to look at the entire relationship, and consider the degree or extent of the right to direct and control the worker. The responses provided above are important in demonstrating what factors were considered in the determination.

Title of the job in question: \_\_\_\_\_

Summary of the duties to be performed (attach an additional sheet if necessary): \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Completed by: \_\_\_\_\_

(Hiring Official)

Date: \_\_\_\_\_

Title: \_\_\_\_\_