Form **14430-A**
(July 2013)

Department of the Treasury - Internal Revenue Service

SS-8 Determination—Determination for Public Inspection

Occupation	Determination:
02LAW Law Staff	[X] Employee [ ] Contractor
UILC	Third Party Communication: [X] 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 submitted a request for a determination of worker status in regard to services performed for the firm from September 2018 to December 2018 as a paralegal. The services performed included office administration with extensive client contact, responsible for the firms calendar, processing forms, legal research and writing. The firm issued the worker Form 1099-MISC for 2018. The worker filed Form SS-8 as she believes she was erroneously classified.

The firm's response, states it is a legal service business. The worker was engaged as a paralegal. The services performed included processing office case requests, file applications, etc. The worker was classified as an independent contractor as she decided how work was to be done, worked independently at times, reported work performed via email when the firm was out of the office, and took time off whenever needed.

The firm stated deadlines determined the methods by which assignments were performed. The firm was responsible for problem resolution if problems or complaints arose. Reports of emails and logging in notes of cases were required. Services were performed at the firm's office. Meetings were not applicable. The firm required the worker to personally perform services. If the worker hired substitutes or helpers, the firm's approval was not required. The worker stated the firm provided detailed instructions on what needed to get done daily through their "office policies and procedures" manual. The firm would also require additional daily tasks. The worker received work assignments through messages and in person at the firm's office. The firm determined the methods by which assignments were performed. The firm required the worker to perform services on a regularly scheduled basis, i.e. 10:00 am to 6:00 pm, Tuesday through Saturday. The firm was responsible for hiring and paying substitutes or helpers.

The firm stated it provided all supplies, equipment, materials, and property. The worker did not lease equipment, space, or a facility. Customers paid the firm. The firm paid the worker an hourly rate of pay. The firm did carry workers' compensation insurance on the worker. The worker did not incur economic loss or financial risk. The worker did not establish the level of payment for the services provided.

The firm stated there were no benefits was made available to the worker. The work relationship could be terminated without penalty. It was unknown to the firm if the worker performed similar services for others. The firm represented the worker as a paralegal to its customers. Services were performed under the firm's business name. The work relationship ended when the worker left for personal reasons. The worker stated the worker did not perform similar services for others.

Analysis

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.

Section 31.3121(d)-1(a)(3) of the regulations provides that if the relationship of an employer and employee exists, the designation or description of the parties as anything other than that of employer and employee is immaterial. Thus, if an employer-employee relationship exists, any contractual designation of the employee as a partner, coadventurer, agent, or independent contractor must be disregarded.

Therefore, a statement that a worker is an independent contractor pursuant to a written or verbal 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. Furthermore, whether there is an employment relationship is a question of fact and not subject to negotiation between the parties.

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. In this case, the firm required the worker to personally perform services. Furthermore, the services performed by the worker were integral to the firm's business operation. The firm required the worker to report on services performed and assumed responsibility for problem resolution. These facts evidence the firm retained the right to direct and control the worker to the extent necessary to ensure satisfactory job performance in a manner acceptable to the firm. Based on the worker's education, past work experience, and work ethic the firm may not have needed to frequently exercise its right to direct and control the worker; however, the facts evidence the firm retained the right to do so if needed.

Payment by the hour, day, 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. In this case, the worker did not invest capital or assume business risks. The term "significant investment" does not include tools, instruments, and clothing commonly provided by employees in their trade; nor does it include education, experience, or training. As acknowledged by the firm the worker did not incur economic loss or financial risk. Based on the hourly rate of pay arrangement the worker could not realize a profit or incur a loss.

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 the firm's business. Both parties retained the right to terminate the work relationship at any time without incurring a liability. There is no evidence to suggest the worker performed similar services for others as an independent contractor or advertised business services to the general public during the term of this work relationship. The classification of a worker as an independent contractor should not be based primarily on the fact that a worker's services may be used on a temporary, part-time, or as-needed basis. As noted above, common law factors are considered when examining the worker classification issue.

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.

The firm can obtain additional information related to worker classification online at www.irs.gov; Publication 4341