

# Ask SCORE

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[www.ScoreFoxValley.org](http://www.ScoreFoxValley.org)

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## Tax & Legal

### Consider Your Options: Contractor or Employee?

A great option for small businesses that don't have the resources or need for full-time employees, are independent contractors. In fact, your small business may be built entirely on serving as an independent contractor to other enterprises.

But before you hire one or more independents, make sure that relationship fits entirely within the IRS's definition of contract labor, and that both you and your contractors understand the rights and responsibilities of everyone involved.

Deciding who can legitimately work as an independent contractor and who must be given employee status has become a difficult matter for small business owners. You can't simply choose what's best for you. The IRS and equivalent state agencies are strict on worker classification issues.

Remember that independent contractors work for themselves. They operate their own business. You are their client, not their employer. You don't dictate their hours or control how they perform their work. In the eyes of most government agencies, a worker is an employee unless *you* can prove otherwise.

Contractors control when and where they work. Avoid setting a pattern of daily or weekly work hours dictated by your business. Also, independent contractors do not usually have a permanent or continuing relationship with the business and have time to pursue other clients. Plan to compensate contractors on a per-job basis, not weekly or monthly.

And since contractors are paid to complete a set task, they may bring in others to help, at their discretion and on their payroll. They also should use their own tools and technology and be responsible for their incremental expenses.

Contractors can't be fired as long as they produce results that meet their contract specifications. Do not include them under any insurance or benefits coverage you have for employees. Independent contractors are subject to making a profit -- or suffering a loss -- based on their own skills and expertise. Always require an invoice before making payment.

**SCORE**<sup>®</sup>  
Counselors to America's Small Business

#### How to Pay Business Debts You Can't Afford

This free guide and video, "The 27 Biggest Mistakes to Avoid When Negotiating Business Debt", address the unforeseen dangers that arise when working through debt.

[Check It Out](#)

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#### Free Counseling

Click any link below to sign up for free counseling at that location. Seek help as many times as you like.

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[Aurora Downtown](#)

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*For evening hours, see  
Naperville.*

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#### Legal Corner

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**Multi-Level Marketing**

Understanding the requirements of using independent contractors will help you better determine whether such relationships are right for your current business needs, or if you need to hire them as employees. Also make sure your contractors understand the rights and responsibilities involved as well. This will help prevent misunderstandings and potentially costly disputes over benefits and compensation.

Getting sound advice on management issues such as independent contractor status is vital for your small business. For help, contact America's free and confidential source of small business mentoring and coaching. SCORE is a nonprofit association of more than 12,000 business experts who volunteer as mentors.

Affiliated with the U.S. Small Business Administration, the Fox Valley Chapter of SCORE has counselors available in 9 locations in the counties and suburbs west of Chicago.

To sign up for a free appointment at the location closest to you, go to [ScoreFoxValley.org](http://ScoreFoxValley.org).

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Multi-level marketing plans can offer wonderful business opportunities. They can also cause unintended, severe adverse legal problems.

[Details here](#)

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### Volunteer for SCORE

More than 70 volunteers are active in the Fox Valley Chapter of SCORE, counseling clients, doing workshops, and reaching out to community organizations. We can always use more help. If you'd like to "give back" by helping others succeed, we invite you to...

[Check Us Out](#)

## Summertime, and the Learning is Easy.

Take advantage of low cost, half-day workshops on many topics, including:

- Business Start-Up
- Marketing
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- Succession Planning
- Quick Books
- Open Forums
- Legal Questions
- New Technologies
- Business Planning
- Publicity & Promotion



Locations include College of DuPage in Lisle, McHenry Community College, Waubensee Community College in Aurora, Joliet Junior College, Elgin Community College and the Naperville Library.

Choice of topics. Choice of locations.

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