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MARKETING QUARTERLY

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE
MARKETING DIVISION'S, MARKETING BRANCH

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What's New!

Proposed Olive Oil Commission of Calif.

Legislation enacted this fall adds a new Chapter to the Food and Agricultural Code providing for a Olive Oil Commission. The new chapter is effective January 1, 2014 and only to the extent necessary to conduct an implementation referendum of olive oil producers. If implemented, the commission will fund research, establish olive oil grades and labeling standards, and establish inspection procedures for olive oil marketed in California. The department will conduct the implementation referendum in the spring of 2014.

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Transitions :

John Dyer (1948-2013)

John Dyer served as chief counsel for the department from 2004 to 2007 and as staff counsel from 1996 to 2004.

During his tenure in the legal office, there were several constitutional challenges to marketing programs including the Federal LMA (National Beef Board) and Gerowan cases (Federal Tree Fruit programs) that were heard by the U.S. Supreme Court and the Gallo cases (Milk Advisory Board). These cases could have had a significant impact on the state's marketing programs had they been decided in favor of the complainants. John was heavily involved in developing strategies in anticipation of the Courts' decisions.

After retiring from CDFA, John moved to Florida while his son attended law school in Jacksonville. After his son received his law degree, John moved to the UK in 2010 with his new wife Victoria. In time, he became a dual citizen.

John focused on writing while in Florida and in the UK wrote for a Blog called "Whirled View". He was also a prolific email writer to anyone who signed up to receive them.

John was recently diagnosed with brain cancer (inoperable) and passed away on November 21, just a day shy of his 65th birthday. He is survived by his wife Victoria and his two children Ed and Jessica.

Milk Advisory Board Executive Search

After 13 years as CEO of the Milk Advisory Board, Stan Andre is leaving the Board as its CEO at the end of the month. In his place Michael Freeman, Vice-President of Advertising, and Jim Jones, Director of Programs and Budgets will serve as the Management Committee while the Board conducts a search for a new CEO.

Stan served two tours with CMAB. Initially, Stan served as Vice President of Manufacturing Products for six years before leaving the Board to become Vice President of Marketing with Nulaid Foods. When Adri Boudewyn retired as CEO in 2000, Stan was hired back as CEO.

The Board anticipates having a new CEO on board within the first half of 2014.

Amy Uber Joins the Marketing Branch

Amy Uber joined the Marketing Branch in October as a Senior Agricultural Economist. Amy will officially complete her second Masters Degree in Agricultural Economics from Cornell University in January of 2014. Her first Masters was in International Agriculture and Rural Development. In addition to her graduate work at Cornell, Amy worked for General Mills, Inc. for six years in Minneapolis. She has also lived in Ukraine, Russia and in the Baltic states prior to her studies at Cornell. She completed agricultural research in India and Cambodia during her graduate work and can speak fluent Russian.

Amy and Ben Kardokus are busy learning all they can about California's marketing programs, the Open Meeting Act, Public Records Act and the Fair Political Practices Act (lots of reading). They have been attending meetings with the other economists and you will probably see them at your next meeting if it is within driving distance from Sacramento. Attending meetings and seeing how economists and board members/staff interact with each other is the best training tool for the job.

Program Reassignments

With Ben's and Amy's progress in "learning the ropes" as economists, we hope to find a day during December that the economists, me and Kevin Masuhara can set aside to discuss program reassignments for the new year.

Reassigning program liaisons is a critical process requiring much thought and discussion by the team. There is value in having an economist assigned to a program over time such that he or she learns the program, the industry, the board of directors and staff, and becomes familiar with the history and customs of the board. On the other hand (yes, economist really do use that term), assigning staff to programs/industries that are new to them helps broaden their knowledge of California agriculture while also bringing a set of fresh eyes to the program.

Other factors to be considered in making assignments include the activities each program engages in such as research, advertising, issues management, grade standards and inspection. The different categories of commodities (e.g., tree crops, row crops, dairy, wine and grapes) also must be considered. Another consideration is the enabling law for each program (Marketing Act boards, Council Laws and Commission Laws).

All these considerations must be evaluated along with consideration of each individual economist and the knowledge and abilities he or she bring to the table. The process is a valuable exercise for the team because it causes us to focus on our mission and the collective strengths of our team.

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Independent Contractor or Employee?

The Marketing Branch has participated in a couple of organizational reviews in recent months that have raised an issue that warrants more research. Several of the commodity marketing programs contract with consultants that provide services to the program. These services include management, merchandizing, communications and domestic and international market expansion. Whether such contracting consultants are really independent contractors or employees of the program is an issue with significant financial exposure if not classified correctly. This is a common question which the IRS has addressed at some length. It is of concern to the department because mislabeling individuals as contractors when their relationship with the program is more like an employer-employee relationship has tax reporting and liability implications. Improper categorization of an employee may also create exposure to certain employee benefit obligations.

A few of the criteria that determine whether a person is an independent contractor or employee include:

- Does the contractor have multiple clients?
- Does the contractor have discretion regarding where and how services are provided so long as the contractor meets quality and schedule requirements?
- Does the contractor have an opportunity to make a profit (or a loss) on the product or service being delivered?

Attached to this newsletter are a couple of documents published by the IRS that explain the criteria for determining whether an individual is an employee or a contractor. The first is a one page brochure while the second is a five-page document that goes into much more detail.

One of the more significant court cases involves a complaint filed by "freelance" programmers working for Microsoft. The supposed independent contractors sued arguing that their working relationship was similar to those hired by Microsoft as employees but without benefits.

Microsoft ultimately settled the suit with the contractors for over $90,000. Do a search on "Independent Contractor, Microsoft, Find Law" to read about the "20 Factor Test" that the court created in the case.

Branch Budget

The Marketing Branch recently submitted its proposed budget for fiscal year 2014-2015 based on staffing of 10½ positions:

1. *Kim Jagelka* – Office Technician
2. *Beth Jensen* – Staff Services Analyst
3. *Jeanne Wexler* – Research Analyst II
4. *David Hillis* – Research Manager I (added in 2013 filling Janice Wong's position)
5. *Amy Uber* –Ag. Economist (filled April Izumi's position)
6. *Ben Kardokus* –Ag. Economist (filled Glenn Yost's position)
7. *Joe Monson* –Ag. Economist
8. *Kathy Diaz-Çretu* –Ag. Economist
9. *Dennis Manderfield* –Ag, Economist
10. *Bob Maxie* – Chief

10.5. *Student Assistant (½ Time)* – Vacant

"Personal Services" accounts for about 70% of the Branch budget. The branch has fluctuated between 9 and 10 positions for decades even as the number of programs increased dramatically.

A summary of the branch's budget for fiscal years 2012-2013 through 2014-2015 is attached to this newsletter. If you have questions or comments regarding the branch's budget, please contact your economist.

Department's Advertising Policy for Marketing Programs

The working group established by Secretary Ross met shortly after the last meeting of Program Executives. The discussion clarified some of the terms used in the policy and included ideas for reducing some of the burden placed on the marketing programs to comply with the policy.

The branch will be distributing an edited version of the policy to the working group prior to the end of the year for its review.

If the group feels another meeting is warranted, a meeting will be scheduled.

We thank the committee for their time and input into improving the policy.

Hearings and Referenda Update

A table showing the public hearings and referenda that are scheduled for 2014 is attached to this newsletter. With an implementation referendum scheduled for the proposed Olive Oil Commission, 2014 will be a busier year than usual.

During the last half of the year, the branch will begin preparing for the continuation vote for the Pierce's Disease Program in the spring of 2015. The Pierce's Disease referendum is a major project for the branch every five years. All costs incurred by the branch are reimbursed by the Winegrape industry.

The table below shows recently completed and pending hearings and referenda.

Current Hearings:

Program	Month for Hearing:	Outcome:
Dairy Council	July 2013	Continued
Sea Urchin Commission	October 2013	Pending

Referenda:

Program	Month for Voting:	Outcome:
Wheat Commission	January 2013	Continued
Milk Processor Board	September 2013	Continued
Processing Tomato [Major Amendment]	November 2013	Failed
Pepper Commission	January 2014	Pending

Olive Oil Commission *(continued)*

If implemented, the Olive Oil Commission will be the first to operate a marketing order within a commission law. Under the law, the Commission will recommend quality and inspection standards for olive oil to the Secretary and act in an advisory role to the Secretary regarding the administration of those standards.

The olive oil industry in California is undergoing significant change and growth with new, high-density orchards that can be mechanically harvested. While California produces the vast majority of olive oil in the U.S., domestic production only accounts for two percent of the olive oil consumed in the U.S.

Should the implementation referendum favor establishing the commission, the fiscal year will begin July 1, 2014. If implemented, the department hopes to have the initial commission board of directors appointed by June 1.

MARKETING BRANCH BUDGET
2012-13 THROUGH 2014-15

	2012-2013	2013-2014	2014-2015	2014-2015 % of Budget	% of Pers. Services
Number of positions	*9*	*10½*	*10½*		
Salary and Wages[1]	$ 644,428	$ 715,425	$ 722,114	49%	71%
Benefits[2]	305,205	297,798	300,982	20%	29%
Total Personal Services[3,4]	$ 949,633	$ 1,013,223	$ 1,023,096	69%	100%
Operating Expense and Equipment	83,566	142,961	139,534	9%	
Indirect Costs (includes CDFA legal)	295,164	340,690	345,952	23%	
Less Gas Tax Recovery	(22,542)	(22,663)	(22,202)	-1%	
Total Branch Budget	$ 1,305,821	$ 1,474,211	$ 1,486,380	100%	

[1]Does not include value of vacation accrual

[2]Number of staff increased from 9 to 10 (David Hillis) in fiscal year 2013-2014

[3]Amounts also vary from year to year due to number of unpaid furlough days per mo.

2012-2013 Part of fiscal year at 3 furlough days per mo., the other part 1 day per mo.

2013-2014 Back to full pay plus 3% salary adjustment

2014-2015 Possible 2% salary increase, depending on State's revenue projections.

[4]Includes 3% salary increase in fiscal year 2013-2014

2014 Continuation Hearings and Referenda

Hearings

Program	Fiscal Year Begins	Month for Hearing
Artichoke Advisory Board	July 1	January 2014
Apple Commission	July 1	February 2014
Salmon Council	April 1	February 2014
Date Commission	October 1	Spring 2014
Strawberry Commission	February 1	Summer 2014
Dry Bean Advisory Board	April 1	Fall 2014
Garlic and Onion Research Advisory Board	March 1	Fall 2014
Sheep Commission	April 1	Late 2014

Referendum – Simple Majority Vote

Program	Fiscal Year Begins	Month for Vote
Pepper Commission	March 1	January 2014
Rice Commission	September 1	January 2014
Cling Peach Board	June 1	Early 2014

Referendum – Tally by Number and Volume

Program	Fiscal Year Begins	Month for Vote
Proposed Olive Oil Commission (implementation)	July 1	February 2014

Employee or Independent Contractor?

An employer must generally withhold federal income taxes, withhold and pay over social security and Medicare taxes and pay unemployment tax on wages paid to an employee. An employer does not generally have to withhold or pay over any federal taxes on payments to independent contractors.

Common-Law Rules

To determine whether an individual is an employee or an independent contractor under the common law, the relationship of the worker and the business must be examined. In any employee-independent contractor determination, all information that provides evidence of the degree of control and the degree of independence must be considered.

Facts that provide evidence of the degree of control and independence fall into three categories: behavioral control, financial control, and the type of relationship of the parties. These facts are discussed next.

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 that the business gives to 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.

When and where to do the work. What tools or equipment to use.
What workers to hire or to assist with the work. Where to purchase supplies and services.
What work must be performed by a specified individual.
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 that the business gives to the worker. An employee may be trained to perform services in a particular manner. Independent contractors ordinarily use their own methods.

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 that they perform for their employer.

The extent of the worker's investment. An independent contractor often has a significant investment in the facilities or tools 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 his or her 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 often paid a flat fee or on a time and materials basis 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. An independent contractor can make a profit or loss.

Type of relationship. Facts that show the parties' type of relationship include:

Written contracts describing the relationship the parties intended to create.

Whether or not the business provides the worker with employee-type benefits, such as insurance, a pension plan, vacation pay, or sick pay.

The permanency of the relationship. If you engage 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 your 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 your regular business activity, it is more likely that you 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.

Industry Examples

The following examples may help you properly classify your workers.

Building and Construction Industry

Example 1. Jerry Jones has an agreement with Wilma White to supervise the remodeling of her house. She did not advance funds to help him carry on the work. She makes direct payments to the suppliers for all necessary materials. She carries liability and workers' compensation insurance covering Jerry and others that he engaged to assist him. She pays them an hourly rate and exercises almost constant supervision over the work. Jerry is not free to transfer his assistants to other jobs. He may not work on other jobs while working for Wilma. He assumes no responsibility to complete the work and will incur no contractual liability if he fails to do so. He and his assistants perform personal services for hourly wages. Jerry Jones and his assistants are employees of Wilma White.

Example 2. Milton Manning, an experienced tile setter, orally agreed with a corporation to perform full-time services at construction sites. He uses his own tools and performs services in the order designated by the corporation and according to its specifications. The corporation supplies all materials, makes frequent inspections of his work, pays him on a piecework basis, and carries workers' compensation insurance on him. He does not have a place of business or hold himself out to perform similar services for others. Either party can end the services at any time. Milton Manning is an employee of the corporation.

Example 3. Wallace Black agreed with the Sawdust Co. to supply the construction labor for a group of houses. The company agreed to pay all construction costs. However, he supplies all the tools and equipment. He performs personal services as a carpenter and mechanic for an hourly wage. He also acts as superintendent and foreman and engages other individuals to assist him. The company has the right to select, approve, or discharge any helper. A company representative makes frequent inspections of the construction site. When a house is finished, Wallace is paid a certain percentage of its costs. He is not responsible for faults, defects of construction, or wasteful operation. At the end of each week, he presents the company with a statement of the amount that he has spent, including the payroll. The company gives him a check for that amount from which he pays the assistants, although he is not personally liable for their wages. Wallace Black and his assistants are employees of the Sawdust Co.

Example 4. Bill Plum contracted with Elm Corporation to complete the roofing on a housing complex. A signed contract established a flat amount for the services rendered by Bill Plum. Bill is a licensed roofer and carries workers' compensation and liability insurance under the business name, Plum Roofing. He hires his own roofers who are treated as employees for federal employment tax purposes. If there is a problem with the roofing work, Plum Roofing is responsible for paying for any repairs. Bill Plum, doing business as Plum Roofing, is an independent contractor.

Example 5. Vera Elm, an electrician, submitted a job estimate to a housing complex for electrical work at $16 per hour for 400 hours. She is to receive $1,280 every 2 weeks for the next 10 weeks. This is not considered payment by the hour. Even if she works more or less than 400 hours to complete the work, Vera Elm will receive $6,400. She also performs additional electrical installations under contracts with other companies, that she obtained through advertisements. Vera is an independent contractor.

Trucking Industry

Example. Rose Trucking contracts to deliver material for Forest, Inc., at $140 per ton. Rose Trucking is not paid for any articles that are not delivered. At times, Jan Rose, who operates as Rose Trucking, may also lease another truck and engage a driver to complete the contract. All operating expenses, including insurance coverage, are paid by Jan Rose. All equipment is owned or rented by Jan and she is responsible for all maintenance. None of the drivers are provided by Forest, Inc. Jan Rose, operating as Rose Trucking, is an independent contractor.

Computer Industry

Example. Steve Smith, a computer programmer, is laid off when Megabyte, Inc., downsizes. Megabyte agrees to pay Steve a flat amount to complete a one-time project to create a certain product. It is not clear how long that it will take to complete the project, and Steve is not guaranteed any minimum payment for the hours spent on the program. Megabyte provides Steve with no instructions beyond the specifications for the product itself. Steve and Megabyte have a written contract, which

provides that Steve is considered to be an independent contractor, is required to pay federal and state taxes, and receives no benefits from Megabyte. Megabyte will file Form 1099-MISC, Miscellaneous Income, to report the amount paid to Steve. Steve works at home and is not expected or allowed to attend meetings of the software development group. Steve is an independent contractor.

Automobile Industry

Example 1. Donna Lee is a salesperson employed on a full-time basis by Bob Blue, an auto dealer. She works six days a week and is on duty in Bob's showroom on certain assigned days and times. She appraises trade-ins, but her appraisals are subject to the sales manager's approval. Lists of prospective customers belong to the dealer. She is required to develop leads and report results to the sales manager. Because of her experience, she requires only minimal assistance in closing and financing sales and in other phases of her work. She is paid a commission and is eligible for prizes and bonuses offered by Bob. Bob also pays the cost of health insurance and group-term life insurance for Donna. Donna is an employee of Bob Blue.

Example 2. Sam Sparks performs auto repair services in the repair department of an auto sales company. He works regular hours and is paid on a percentage basis. He has no investment in the repair department. The sales company supplies all facilities, repair parts, and supplies; issues instructions on the amounts to be charged, parts to be used, and the time for completion of each job; and checks all estimates and repair orders. Sam is an employee of the sales company.

Example 3. An auto sales agency furnishes space for Helen Bach to perform auto repair services. She provides her own tools, equipment, and supplies. She seeks out business from insurance adjusters and other individuals and does all of the body and paint work that comes to the agency. She hires and discharges her own helpers, determines her own and her helpers' working hours, quotes prices for repair work, makes all necessary adjustments, assumes all losses from uncollectible accounts, and receives, as compensation for her services, a large percentage of the gross collections from the auto repair shop. Helen is an independent contractor and the helpers are her employees.

Attorney

Example. Donna Yuma is a sole practitioner who rents office space and pays for the following items: telephone, computer, on-line legal research linkup, fax machine, and photocopier. Donna buys office supplies and pays bar dues and membership dues for three other professional organizations. Donna has a part-time receptionist who also does the bookkeeping. She pays the receptionist, withholds and pays federal and state employment taxes, and files a Form W-2 each year. For the past 2 years, Donna has had only three clients, corporations with which there have been long-standing relationships. Donna charges the corporations an hourly rate for her services, sending monthly bills detailing the work performed for the prior month. The bills include charges for long distance calls, on-line research time, fax charges, photocopies, postage, and travel, costs for which the corporations have agreed to reimburse her. Donna is an independent contractor.

Taxicab Driver

Example. Tom Spruce rents a cab from Taft Cab Co. for $150 per day. He pays the costs of maintaining and operating the cab. Tom Spruce keeps all fares that he receives from customers. Although he receives the benefit of Taft's two-way radio communication equipment, dispatcher, and advertising, these items benefit both Taft and Tom Spruce. Tom Spruce is an independent contractor.

Salesperson

To determine whether salespersons are employees under the usual **common-law** rules, you must evaluate each individual case. If a salesperson who works for you does not meet the tests for a common-law employee, discussed earlier in this section, you do not have to withhold federal income tax from his or her pay (see *Statutory Employees* in section 1). However, even if a salesperson is not an employee under the usual common-law rules, his or her pay may still be subject to social security, Medicare, and FUTA taxes.

To determine whether a salesperson is an employee for social security, Medicare, and FUTA tax purposes, the salesperson must meet **all eight** elements of the statutory employee test. A salesperson is a statutory employee for social security, Medicare, and FUTA tax purposes if he or she:

1. Works full time for one person or company except, possibly, for sideline sales activities on behalf of some other person,
2. Sells on behalf of, and turns his or her orders over to, the person or company for which he or she works,
3. Sells to wholesalers, retailers, contractors, or operators of hotels, restaurants, or similar establishments,
4. Sells merchandise for resale, or supplies for use in the customer's business,
5. Agrees to do substantially all of this work personally,
6. Has no substantial investment in the facilities used to do the work, other than in facilities for transportation,
7. Maintains a continuing relationship with the person or company for which he or she works, and
8. Is **not** an employee under common-law rules.

IRS Tax Publications

If you are not sure whether you are an employee or an independent contractor, get Form SS-8, Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding. Publication 15-A, Employer's Supplemental Tax Guide, provides additional information on independent contractor status.

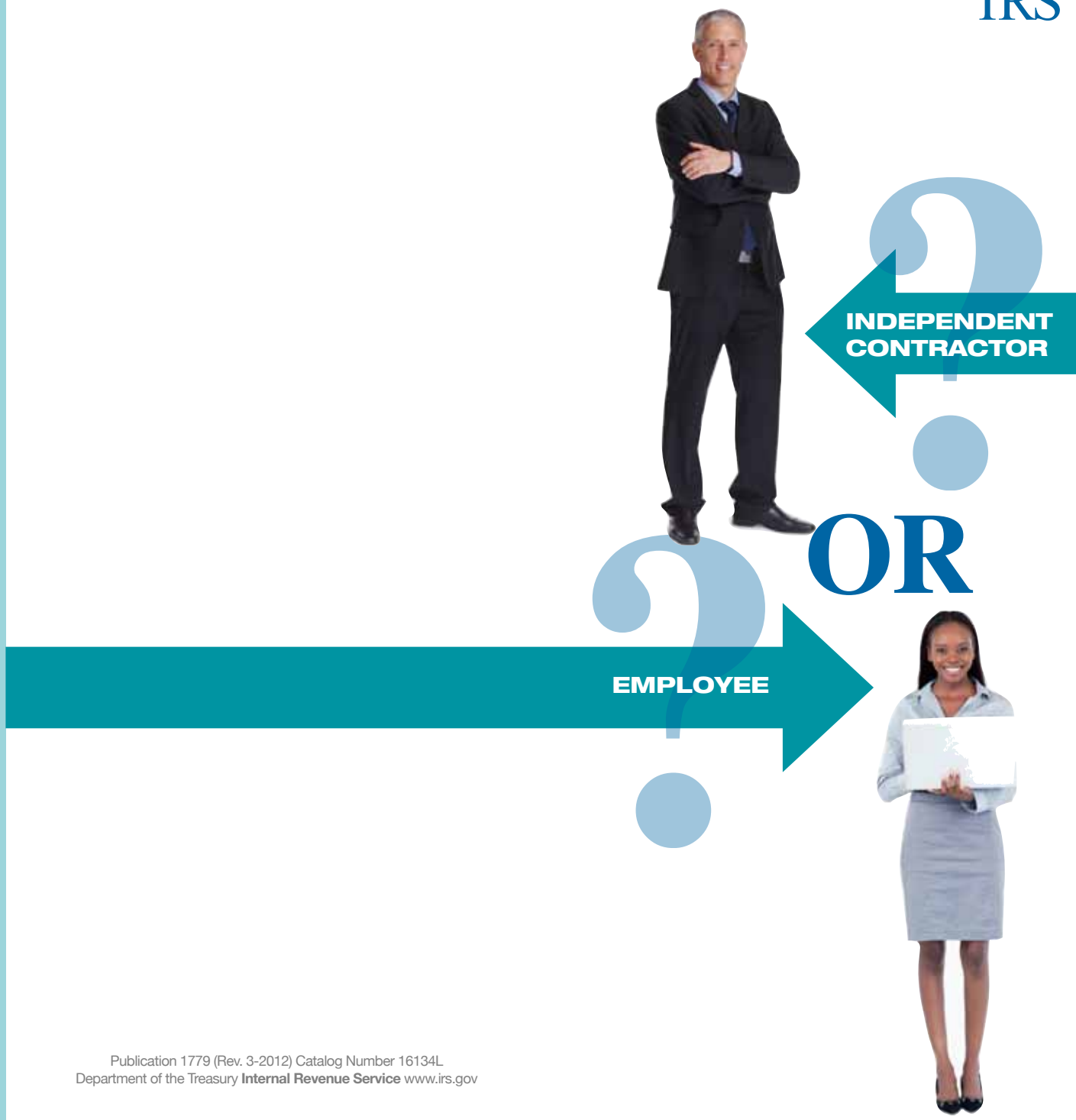
IRS Electronic Services

You can download and print IRS publications, forms, and other tax information materials on the Internet at www.irs.gov. You can also call the IRS at 1-800-829-3676 (1-800-TAX-FORM) to order free tax publications and forms.

Publication 1796, 2007 IRS Tax Products CD (Final Release), containing current and prior year tax publications and forms, can be purchased from the National Technical Information Service (NTIS). You can order Publication 1796 toll-free by calling 1-877-233-6767 or via the Internet at www.irs.gov/cdorders.

Call 1-800-829-4933, the Business and Speciality Tax Line, if you have questions related to employment tax issues.

IRS



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Independent Contractor *or* Employee

Which are you?

For federal tax purposes, this is an important distinction. Worker classification affects how you pay your federal income tax, social security and Medicare taxes, and how you file your tax return. Classification affects your eligibility for social security and Medicare benefits, employer provided benefits and your tax responsibilities. If you aren't sure of your work status, you should find out now. This brochure can help you.

The courts have considered many facts in deciding whether a worker is an independent contractor or an employee. These relevant facts fall into three main categories: behavioral control; financial control; and relationship of the parties. In each case, it is very important to consider all the facts – no single fact provides the answer. Carefully review the following definitions.

Behavioral Control

These facts show whether there is a right to direct or control how the worker does the work. A worker is an employee when the business has the right to direct and control the worker. The business does not have to actually direct or control the way the work is done – as long as the employer has the right to direct and control the work. For example:

Instructions – if you receive extensive instructions on how work is to be done, this suggests that you are an employee. Instructions can cover a wide range of topics, for example:

- how, when, or where to do the work
- what tools or equipment to use
- what assistants to hire to help with the work
- where to purchase supplies and services

If you receive less extensive instructions about what should be done, but not how it should be done, you may be an independent contractor. For instance, instructions about time and place may be less important than directions on how the work is performed.

Training – if the business provides you with training about required procedures and methods, this indicates that the business wants the work done in a certain way, and this suggests that you may be an employee.

Financial Control

These facts show whether there is a right to direct or control the business part of the work. For example:

Significant Investment – if you have a significant investment in your work, you may be an independent contractor. While there is no precise dollar test, the investment must have substance. However, a significant investment is not necessary to be an independent contractor.

Expenses – if you are not reimbursed for some or all business expenses, then you may be an independent contractor, especially if your unreimbursed business expenses are high.

Opportunity for Profit or Loss – if you can realize a profit or incur a loss, this suggests that you are in business for yourself and that you may be an independent contractor.

Relationship of the Parties

These are facts that illustrate how the business and the worker perceive their relationship. For example:

Employee Benefits – if you receive benefits, such as insurance, pension, or paid leave, this is an indication that you may be an employee. If you do not receive benefits, however, you could be either an employee or an independent contractor.

Written Contracts – a written contract may show what both you and the business intend. This may be very significant if it is difficult, if not impossible, to determine status based on other facts.

When You Are an Employee...

- Your employer must withhold income tax and your portion of social security and Medicare taxes. Also, your employer is responsible for paying social security, Medicare, and unemployment (FUTA) taxes on your wages. Your employer must give you a Form W-2, Wage and Tax Statement, showing the amount of taxes withheld from your pay.
- You may deduct unreimbursed employee business expenses on Schedule A of your income tax return, but only if you itemize deductions and they total more than two percent of your adjusted gross income.

When You Are an Independent Contractor...

- The business may be required to give you Form 1099-MISC, Miscellaneous Income, to report what it has paid to you.
- You are responsible for paying your own income tax and self-employment tax (Self-Employment Contributions Act – SECA). The business does not withhold taxes from your pay. You may need to make estimated tax payments during the year to cover your tax liabilities.
- You may deduct business expenses on Schedule C of your income tax return.