

Is Your Independent Contractor/Consultant Really Your Employee?

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A rose by any other name is still a rose. Likewise for employees. Businesses in all types of industry often utilize workers to perform various services for their businesses. Most are employees of the company, but frequently companies enter into arrangements with individuals who are characterized as independent contractors or consultants. Like the rose, however, it is not important what you call it...what is important is what it is.

As governmental bodies look for more consistent, steady sources of revenue, governmental agencies throughout the country are taking a long, hard look at the classification of workers as independent contractors. Because Independent Contractors are self-employed they are not subject to withholding taxes. Employers do not contribute unemployment taxes on their behalf. Independent contractors do not receive overtime, benefits, and workers compensation insurance. As government efforts to uncover misclassified independent contractors pick up steam, the liability for businesses that misclassify these individuals will also increase.

There are various tests to determine if your workers are truly independent or really your employee. **The primary factor is the amount and type of control that the business can exert over the contractor.** Be certain. If you use contractors and consultants think about an employee classification audit.

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