

IRS Is Still Looking for Improper Classification of Workers as Independent Contractors

Misclassification of employees as independent contractors by nonprofits has been an ongoing IRS focus.

IRS recently issued a news release to remind employers about the importance of correctly determining worker status.

IRS looks at behavioral control (legal control of what is to be done and how), financial control (including who provides the tools or supplies necessary to perform services), and the type of relationship (are there employee-type benefits).

IRS has two programs that exempt organizations can use to settle misclassification problems. One is for nonprofits that are under audit by the IRS, the other is called a Voluntary Classification Settlement Program. Under that program, nonprofits that have consistently treated workers as independent contractors and filed all forms 1099 can have most of their employment tax liability from improper classification eliminated. This is a voluntary program where nonprofits agree to treat misclassified workers as employees in the future.