

New Social Security Tax Form for Misclassified Workers

The Form 8919 is a new form released by the IRS *for employees who have been misclassified as independent contractors* by an employer. Form 8919, Uncollected Social Security and Medicare Tax on Wages, will now be used to figure and report the employee's share of uncollected social security and Medicare taxes due on their compensation.

On the surface, independent contractor arrangements appear to save companies the costs of workers compensation, employee benefits, unemployment insurance, and the employer share of FICA. But as simple as using independent contractors may seem, improper classification of workers can cost companies a lot more than they can save in those taxes and benefits.

The IRS generally considers one key factor in determining whether a worker is an employee or an independent contractor: control. The extent to which there is "control" in a business relationship, is based upon the following three "categories of evidence": Behavior Control, Financial Control, and Relationship of the Parties.

For more information on determining worker status, see IRS Publication 15-A, Publication 1779, or IRS Fact Sheet FS-007-27 all found at www.irs.gov.

*****Small businesses often do not understand the effect of classifying an individual as an employee or independent contractor, yet the exposure for misclassification is serious. This new form, Form 8919, allows for workers who were paid as an independent contractor to file with their personal income tax return to say that they should have been treated as an employee. This gives the worker a chance to have the employer billed for their portion of FICA taxes. **The last thing your clients need is to be blind-sided with a huge bill to cover taxes because they misclassified a worker.*******

Paychex is up to date with the IRS worker classification guidelines and many Paychex clients use independent contractors. We are able to produce checks for contractors, and at year end, Paychex prepared and files all returns associated with contractor status:1099-MISC and 1096.

PAYCHEX[®]

UPDATE

Presented to you by: William N. Goodman, CPA
2560 Nazareth Rd, Easton PA 18045, 610-253-2745

**For more information, please contact:
Patrick Kaine at 610-737-7696 or skaine@paychex.com or**

Goodman & Company CPAs at 610-253-2745