

Employing Freelancers? Watch Out!

The IRS and the states are specifically targeting for review employers of freelancers or independent contractors (ICs) as they are referred to by the taxing authorities. There is nothing wrong with hiring freelancers if you know the rules. Freelancers are different from employees.

According to the IRS regulations, employees work under the control and supervision of the employer without any investment risk or freedom to go about as they chose. **Independent Contractors work independently of their employer with little or no guidance or supervision. ICs generally work away from their employer's premises, for a fixed fee, and make their services available to others.** This particular item is very important.

According to IRS and state regulations, employers must withhold taxes from their employees' salaries and must cover them with unemployment, workers' compensation and disability insurance. Failure to do so can bring the wrath of the IRS and the state taxing authority, or both, on the employer.

We have seen an increase in NYS review of businesses that hire ICs. NYS would very often drop in on the employer, unannounced. It will be followed by an audit. Not to be outdone, the IRS has announced that it will increase its audits of employers of ICs.

We therefore urge you to review your hiring practices. If you suspect that you maybe in violation, we urge you to contact us soon in order for us to review your situation and advise you of possible remedies.