

## Differences Between Employees and Independent Contractors (Source: IRS)

By way of providing more clarity to this topic, following is the 20 factor test as presented by **R. C. Chip Goldsberry**, Assistant Director of Personnel Services for Compensation and Information Systems at Purdue University, in the August, 1992 edition of the *NACUBO Business Officer*, a journal published by the National Association of College and University Business Officers (NACUBO):

1. an **employee** is required to comply with instructions about when, where, and how to work. The employer's right to instruct, not the exercise of that right, is the key. Instruction may be oral or in written procedures or manuals.  
an **independent contractor** is hired to provide goods or services and is not instructed in great detail about how to provide the goods or services.
2. an **employee** is usually trained by one of the institution's experienced employees. Training indicates that the employer wants the services performed in a certain manner.  
an **independent contractor** ordinarily uses his or her own methods, is hired for his or her expertise, and receives no training from the institution that purchases services.
3. an **employee's** services are usually integrated into business operations, generally showing that direction and control are being exercised. Integration of services into the business operation occurs when the success or continuation of a business depends to an appreciable degree on the performance of services that are difficult to separate from the business operation.  
an **independent contractor's** services can usually stand alone and are not integrated into business operations.
4. an **employee** is hired to render services personally. If the employer is interested in who does the job as well as in getting the job done, it indicates that the employer is concerned about the methods used as well as the result of services performed.  
an **independent contractor** is hired to provide a service and often the employer does not care who performs that job.
5. an **employee** has little control over the hiring, supervising, and payment of assistants. Such action by an employer generally shows control over people on the job with whom assistants work.  
an **independent contractor** will hire, supervise, and pay other workers

- under a contract in which he or she agrees to provide materials and labor and is responsible for the attainment of a given result.
6. an **employee** normally has a continuing relationship with the person for whom services are performed. Services may be continuing even though they are performed at irregular intervals, on a part-time basis, seasonally, or over a short term.  
an **independent contractor** has a defined relationship that typically ends when the services are completed.
  7. an **employee** has set hours of work established by the employer, indicative of control. Such a condition bars the worker from allocating time to other work, which is a right of an independent contractor.  
an **independent contractor** tends to establish time use as a matter of right.
  8. an **employee** usually devotes full time to the business of the employer. Full time does not necessarily mean an eight-hour day or a five-day week. Its meaning varies depending on the intent of the parties.  
an **independent contractor** is free to work when, for whom, and for as many employers as desired.
  9. an **employee** typically does his or her work on the employer's premises which implies control, especially if the work could be performed elsewhere. Someone who works in the employer's place of business is at least physically within the employer's direction and supervision. However, performance of work off-site does not, of itself, mean that no right to control exists.  
an **independent contractor** usually does work that can be completed on or off the employer's premises.
  10. an **employee** often must perform services in a prescribed sequence, which shows a level of employer control. Here, too, the right to set the sequence, not the exercise of that right, is the key.  
an **independent contractor** normally is free to perform services in any manner that produces desired results.
  11. an **employee** submits or provides regular written or oral reports that indicate employer control.  
an **independent contractor** submits reports as specified by the contract and may provide them in the broadest of terms and with less frequency than an employee would.
  12. an **employee** is usually paid for work by the hour, week, or month. The guarantee of a minimum salary or the granting of a drawing account at stated intervals with no requirement for repayment of the excess over earnings tends to indicate the existence of an employer-employee relationship.

- an *independent contractor* is customarily paid by the job in a lump sum or on a commission basis.
13. an *employee* is reimbursed or paid by the employer for business and traveling expenses, a factor that indicates control over the worker.  
an *independent contractor* is paid on a job basis and normally has to assume all expenses except those specified by contract.
  14. an *employee* usually is furnished by the employer with any tools and materials needed, which is indicative of employer control over the worker. In some jobs employees customarily use their own hand tools.  
an *independent contractor* supplies the tools and equipment.
  15. an *employee* normally does not have a significant investment in the facilities used in the job.  
an *independent contractor* often has a significant investment in facilities used in performing services. Facilities generally include equipment or premises necessary for the work, but not such items as tools, instruments, and clothing that are provided by employees as a common practice in their trade.
  16. an *employee* usually does not realize a profit or suffer a loss as a result of the service provided.  
an *independent contractor* is in a position to realize a profit or suffer a loss as a result of services provided.
  17. an *employee* tends to work exclusively for one employer.  
an *independent contractor* normally works for more than one employer at the same time.
  18. an *employee* usually does not make services available to the general public. an *independent contractor* makes services available to the general public. "Making services available" may include hanging out a shingle, holding a business license, and having advertising and telephone directory listings.
  19. an *employee* is subject to discharge, showing that control is exercised. Limitation of the right to discharge under a collective bargaining agreement does not detract from the existence of an employer-employee relationship.  
an *independent contractor* cannot be fired so long as results produced measure up to contract specifications.
  20. an *employee* has the right to end the employment relationship at any time without incurring liability.  
an *independent contractor* usually agrees to complete a specific job and is responsible for its satisfactory completion or is legally obligated to make good for failure to complete the job.