

Are you an employee, self-employed or an independent contractor? Find out the difference.

The question of whether you are an employee or a self-employed independent contractor is very important and may not always be easy to answer. You should understand the category you fall under, since it'll affect how you pay your taxes.

You are an employee if –

Your payer has the right to direct and control your activity. The factors of control fall into three key categories:

- Behavioral control
- Financial control, and
- The relationship between you and your payer.

No one single fact determines worker classification, rather all of the facts and circumstances of a relationship weigh in the correct worker classification determination.

If you are an employee, you are required to report the wages you received during the calendar year on your personal income tax return because they are *taxable income*. Your employer is required to report wages paid to you during the year on a Form W-2. Your employer is also required to ask you to fill out a Form W-4 and you are required to return that form to your employer. Form W-4 directs your employer on how much tax to withhold from your pay. If you are unsure how much to request be withheld on your Form W-4, check the [IRS Withholding Calculator](#) for guidance.

You are an independent contractor if –

You have the right to direct and control the most important aspects of your activity.

People such as contractors, subcontractors and auctioneers, who maintain an independent trade, business or profession in which they offer their services to the public, are generally independent contractors.

If you are an independent contractor, your income earned will be reported to you by the payer on a [Form 1099-MISC](#), unless the payer pays you less than \$600 in the calendar year. However, you must report all the income you earned during the year, even if your client does not issue a Form 1099-MISC for your services.

As an independent contractor you are self-employed and are generally required to attach a business return to the annual income tax return that you file and to pay estimated tax quarterly. Self-employed individuals generally have to pay self-employment tax (Social Security and Medicare tax) as well as income tax. To read more on your tax obligations or for more information on estimated tax, go to the [Self-Employed Individuals Tax Center](#) on IRS.gov.

If your worker status is unclear –

You or your payer can file Form SS-8, *Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding*, with the IRS to help determine your status.

Additionally, The IRS developed [Form 8919, Uncollected Social Security and Medicare Tax on Wages](#), to simplify the process for employees to report their share of uncollected Social Security and Medicare taxes due on their compensation when their employers have misclassified them as independent contractors.

NOTE TO EDITOR: Below are links to more information on IRS.gov.

[Publication 505, Tax Withholding and Estimated Tax](#)

[Publication 4445-E, Employee, Self Employed, Independent Contractor](#)

[Publication 1779, Independent Contractor or Employee Brochure](#)

[Publication 1779 \(SP\) – Spanish version](#)

[The Employment Tax pages of IRS.gov](#)

