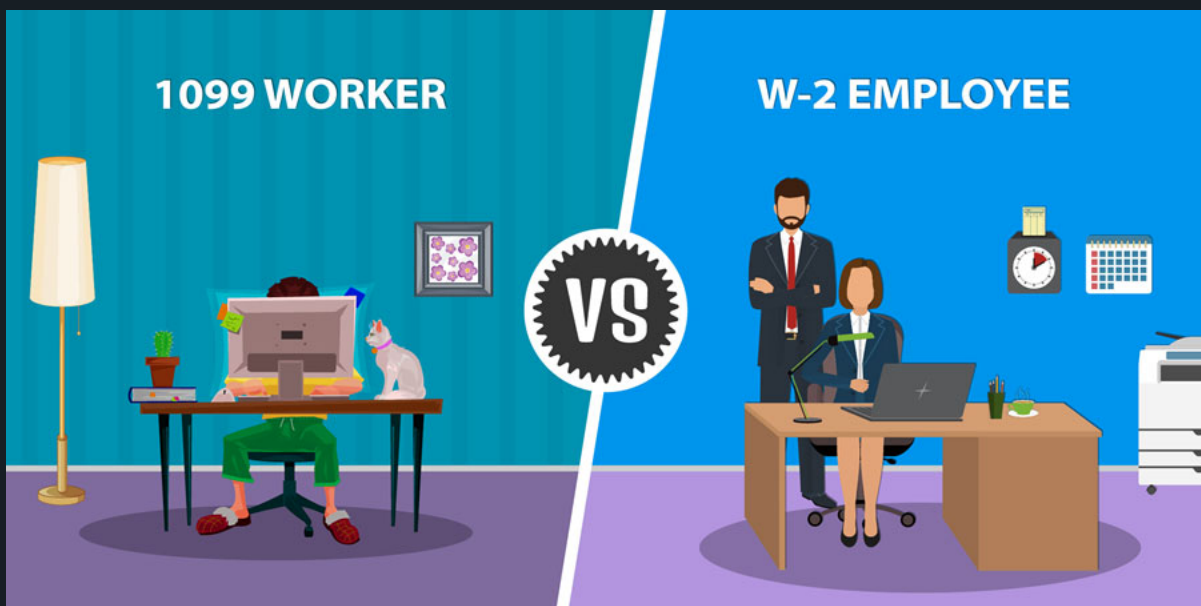

SCN Newsletter-May Edition



What Employers need to know about hiring

A worker's role determines which type of information return an entity would provide. Business entities provide a Form 1099-Misc to independent contractors and Form W-2 to employees. However, there may be instances where a worker may be serving as an independent contractor and an employee for the same entity.

A **1099-MISC**, for instance, is typically used to report payments made to independent contractors (who cover their own employment taxes). A **W-2** form, on the other hand, is used for employees (whose employer withholds payroll taxes from their earnings).

Generally, you must withhold income taxes, withhold and pay Social Security and Medicare taxes, and pay unemployment tax on wages paid to an employee. You do not generally have to withhold or pay any taxes on payments to independent contractors.

Common-Law Rules

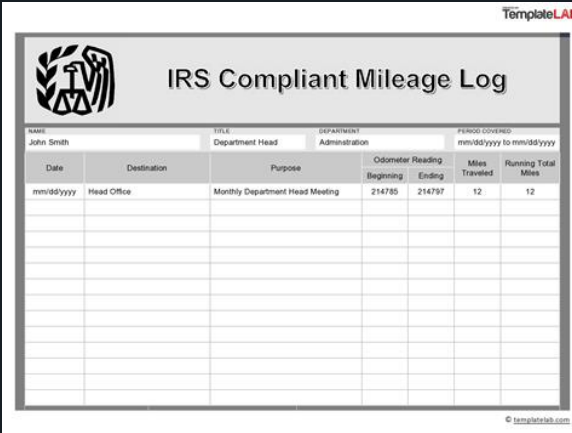
Facts that provide evidence of the degree of control and independence fall into three categories:

1. **Behavioral:** Does the company control or have the right to control what the worker does and how the worker does his or her job?
2. **Financial:** Are the business aspects of the worker's job controlled by the payer? (these include things like how worker is paid, whether expenses are reimbursed, who provides tools/supplies, etc.)
3. **Type of Relationship:** Are there written contracts or employee type benefits (i.e. pension plan, insurance, vacation pay, etc.)? Will the relationship continue and is the work performed a key aspect of the business?

Businesses must weigh all these factors when determining whether a worker is an employee or independent contractor. Some factors may indicate that the worker is an employee, while other factors indicate that the worker is an independent contractor. There is no "magic" or set number of factors that "makes" the worker an employee or an independent contractor, and no one factor stands alone in making this determination. Also, factors that are relevant in one situation may not be relevant in another.

The keys are to look at the entire relationship, consider the degree or extent of the right to direct and control, and finally, to document each of the factors used in coming up with the determination.

IRS Guidance on 1099 or W-2



The image shows a template for an IRS Compliant Mileage Log. It includes a header with the IRS logo and the title "IRS Compliant Mileage Log". Below the header is a table with columns for Name, Title, Department, Period Covered, Date, Destination, Purpose, Odometer Reading (Beginning and Ending), Miles Traveled, and Running Total Miles. The first row of data shows John Smith, Department Head, Administration, with a date of mm/dd/yyyy, destination of Head Office, purpose of Monthly Department Head Meeting, and odometer readings of 214785 and 214797, resulting in 12 miles traveled and a running total of 12 miles.

Mileage Tracking



Why Pay Quarterly Taxes?

Quarterly taxes (or estimated taxes) are how self-employed individuals have to

If your deduction is ever audited IRS will expect you to have a Mileage log.

The best way to keep **track of mileage for taxes** is to have a contemporaneous **mileage** log. That means the records are created each day you drive or soon after.

The standard mileage rate for business use is based on an annual study of the fixed and variable costs of operating an automobile.

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

Standard Mileage Rates

pay their **taxes** to the IRS throughout the year if your income exceeds a certain amount. These four **tax** payments, made every three months, are meant to cover Social Security, Medicare and your income **tax**.

Taxes must be paid as you earn or receive income during the year, either through withholding or estimated tax payments. If you don't pay enough tax through withholding and estimated tax payments, you may be charged a penalty. You also may be charged a penalty if your estimated tax payments are late, even if you are due a refund when you file your tax return.

IRS Guidance on Estimated Taxes

Home Office Deduction

If you use part of your home for business, you may be able to deduct expenses for the business use of your home. The home office deduction is available for homeowners and renters and applies to all types of homes.

Requirements to Claim the Home Office Deduction

Regardless of the method chosen, there are two basic requirements for your home to qualify as a deduction:

1. Regular and exclusive use.
2. Principal place of your business

Maintain records of the size of the business home office and the size of the home's total square footage.

Regular and Exclusive Use.

You must regularly use part of your home exclusively for conducting business. For example, if you use an extra room to run your business, you can take a home office deduction for that extra room.

Principal Place of Your Business.

You must show that you use your home as your principal place of business. If you conduct business at a location outside of your home, but also use your home substantially and regularly to conduct business, you may qualify for a home office deduction.

For example, if you have in-person meetings with patients, clients, or customers in your home in the normal course of your business, even though you also carry on business at another location, you can deduct your expenses for the part of your home used exclusively and regularly for business.

You can deduct expenses for a separate free-standing structure, such as a studio, garage, or barn, if you use it exclusively and regularly for your business. The structure does not have to be your principal place of business or the only place where you meet patients, clients, or customers.

[IRS Home Office](#)

Survey

We are committed to providing you with the best service and experience possible, so we welcome your comments.

Please fill out this questionnaire by clicking below.

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