

IRS Classification Factors

Refer to the information below when completing the IRS Classification Factors Checklist section of the [Independent Contractors \(Individual\) Determination Pre-hire Worksheet](#).

Behavioral Control

- **Instruction:** Employees are subject to instruction, and independent contractors generally are not.
- **Training:** Employees generally receive training from their employer and independent contractors determine their own work methods.

Financial Control

- **Significant investment:** Employees use university equipment and facilities to perform their work and contractors have business capital investment.
- **Payment of expenses:** Employers pay all expenses for an employee, whereas independent contractors typically absorb these costs in their fee and are not reimbursed separately.
- **Services available:** Employees who work full time for the university are not likely to have other customers.
- **Incremental payment:** Typically, employees are paid a salary and contractors are paid by the job.
- **Risk of profit or loss:** Employees are paid a salary whether the company is profitable and contractors may make a profit or suffer a loss depending on their project pricing.

Relationship of Parties

- **Regular University business activity:** In most cases regular business activities are performed by an employee and a contractor performs specialized services not available by an employee.
- **Agreement document:** A contractor will have a written agreement describing the individual as an independent contractor.
- **Status of individual:** Employees receive benefits and are supervised. Contractors do not receive university benefits, and determine their own work methods.
- **Control of individual:** An employee can terminate their relationship with the university without liability, submits oral or written job reports, receives supervision of work methods and may supervise other employees and follows set work hours. Independent contractors may incur contractual liability by terminating a contract before completion and they determine their own work methods and time to produce the desired results.