



# UNDERSTANDING 1099 CONTRACTORS & W2 EMPLOYEES

presented by

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# UNDERSTANDING EMPLOYMENT CLASSIFICATION

**1099VSW2**

1099  
Contractor

1099 CONTRACTORS ARE SELF-EMPLOYED INDEPENDENT CONTRACTORS THAT ARE PAID FOR SERVICES BASED ON THE CONTRACT. THEY RECEIVE 1099 TO ACCOUNT FOR THOSE PAYMENTS AND PAY THEIR TAXES.

## CONTRACTORS CAN:

- SET THEIR WORKING HOURS
- USE THEIR TOOLS
- WORK FOR MORE THAN ONE BUSINESS (EVEN IN THE SAME FIELD OR INDUSTRY!)
- DON'T RECEIVE BENEFITS FROM THE COMPANY.

WW2  
Employee

W2 EMPLOYEES RECEIVE WAGES FROM THE EMPLOYER (HOURLY/SALARY),  
AND THE EMPLOYER TAKES TAXES FROM THE EMPLOYEES' PAY AND PAYS  
TAXES FOR THAT EMPLOYEE, WHO RECEIVES A W2.

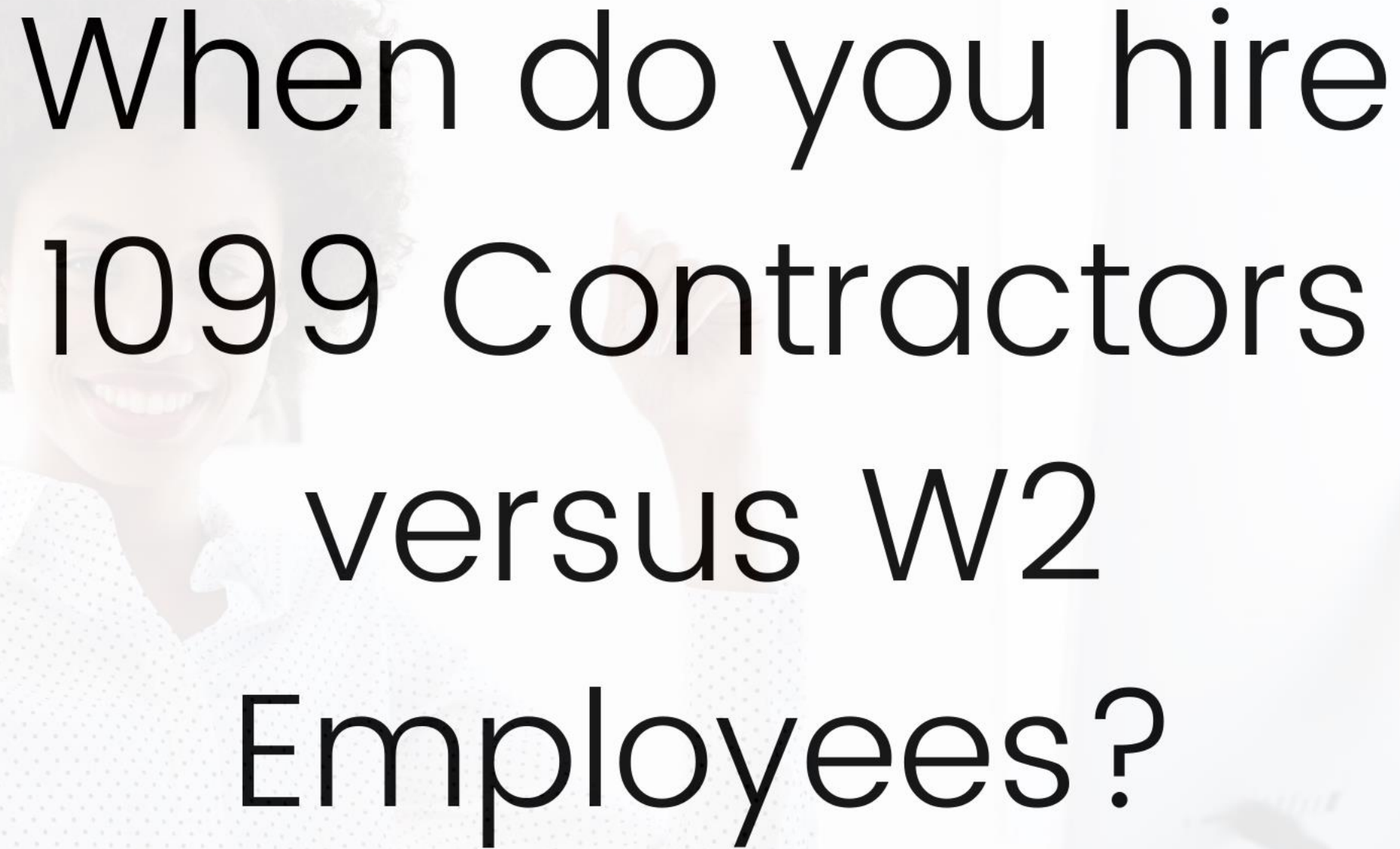
EMPLOYERS HAVE MORE CONTROL OVER EMPLOYEES THAN  
CONTRACTORS, AS THEY HAVE A SAY ON HOW THE EMPLOYEE SHOULD  
ACCOMPLISH A CERTAIN TASK

EMPLOYERS SET THEIR WORKING HOURS, AND PROVIDE THEM WITH BENEFITS.

THE COMPANY IS ALSO RESPONSIBLE:

- TRAINING
- ENSURING SAFE WORKING CONDITIONS,
- PROVIDING THE NECESSARY TOOLS,
- CONDUCTING REGULAR PERFORMANCE REVIEWS.



A smiling woman with curly hair, wearing a white polka-dot shirt, is the central figure in the background. She is standing in an office environment. To her right, there is a laptop on a desk with some papers and a pen. The background is slightly blurred, showing office shelves and a window.

When do you hire  
1099 Contractors  
versus W2  
Employees?

A smiling woman with curly hair, wearing a white polka-dot shirt, is sitting at a desk. In the background, there is a large computer monitor and a laptop. The text "Simply stated, it depends" is overlaid on the image in a large, black, sans-serif font.

Simply stated, it  
depends



**IT ALL BOILS DOWN TO**

**BUSINESS  
MODEL**

**GOALS**

**SPECIFIC  
BUSINESS  
NEEDS**

## **RULE OF THUMB**

**THE MORE CONTROL YOU NEED OVER HOW,  
WHERE, AND WHEN THE WORK IS DONE, THE  
MORE THE DECISION SHOULD LEAN TOWARDS AN  
EMPLOYEE.**

**REMEMBER, THIS IS NOT JUST A COST DECISION,  
IT'S A COMPLIANCE DECISION AS WELL.**

# 1099 Contractor

## Pros

EXPERTISE. CONTRACTORS ARE GENERALLY WELL-TRAINED IN THEIR PROFESSION AND CAN JUMP RIGHT IN WITH LITTLE TO NO PREPARATION.

## Cons

LESS CONTROL. INDEPENDENT CONTRACTORS ON THE OTHER HAND HAVE MORE CONTROL OVER THEIR WORK THAN THE EMPLOYER. FURTHERMORE, THEY USUALLY ONLY WORK FOR A COMPANY FOR A LIMITED PERIOD.

# 1099 Contractor

## Pros

EXPENSES. EMPLOYEES ARE NOT LISTED AS EMPLOYEES. AS A RESULT, YOU DON'T HAVE TO DEDUCT PAYROLL TAXES FROM THEIR PAYCHECKS OR PROVIDE BENEFITS LIKE HEALTH INSURANCE (INTERNATIONAL CONTRACTOR PAYMENTS MAY BE SUBJECT TO ADDITIONAL WITHHOLDING TAXES). THIS CAN AID IN SAVING MONEY (ALTHOUGH IT MAY NOT ALWAYS BE THE CASE SINCE CONTRACTORS TEND TO HAVE A HIGHER RATE IN SOME CASES).

## Cons

LEGAL CONSIDERATIONS. YOUR CONTRACT GOVERNS ALL ASPECTS OF YOUR RELATIONSHIP WITH THE CONTRACTOR. SO IT IS IMPORTANT THAT THE AGREEMENT IS CAREFULLY DRAFTED AND REVIEWED BY A LEGAL PROFESSIONAL. ALTHOUGH YOU MAY BE ABLE TO FIRE AN EMPLOYEE AT ANY TIME, YOU MAY NOT BE ABLE TO FIRE AN INDEPENDENT CONTRACTOR WITHOUT VIOLATING THE CONTRACT.



# 1099 Contractor

## Pros

FLEXIBILITY AND INDEPENDENCE. SINCE INDEPENDENT CONTRACTORS ARE CONTRACTED FOR A PARTICULAR PROJECT OR PERIOD, COMPANIES HAVE GREATER FLEXIBILITY IN HIRING AND FIRING THEM.

## Cons

INSURANCE. CONTRACTORS WHO ARE INJURED ON THE JOB CAN CHOOSE TO SUE THE COMPANY. ON THE OTHER HAND, EMPLOYEES ARE PROTECTED BY WORKERS' COMPENSATION BENEFITS AND CANNOT SUE THEIR EMPLOYER FOR INJURIES SUSTAINED ON THE JOB.

# W2 Employee

## Pros

EMPLOYEES CONNECT STRONGLY WITH THEIR JOBS, PLACE A HIGHER EMPHASIS ON FINANCIAL STABILITY, AND ARE MORE LIKELY TO STAY IN AN ORGANIZATION FOR A LONGER PERIOD COMPARED TO CONTRACTORS

## Cons

HIGHER COSTS. THE COMPANY IS LIABLE FOR NOT JUST THE EMPLOYEES' BENEFITS BUT ALSO CO-SHARES THEIR SOCIAL SECURITY AND MEDICARE TAXES. EMPLOYERS MAY ALSO BE MANDATED TO PROVIDE HEALTH INSURANCE AND PAID LEAVES.

# W2 Employee

## Pros

PERFORMANCE. YOU CAN RELY ON YOUR STAFF TO CHIP IN, WORK LATE, AND HELP IN GETTING THE JOB DONE DURING BUSY TIMES. EMPLOYEES SHOULD WEAR A VARIETY OF HATS AND ASSIST WHEN IT IS MOST REQUIRED.

## Cons

EMPLOYER MUST PROVIDE THE EMPLOYEE WITH ALL THE RESOURCES NECESSARY FOR THEM TO COMPLETE THEIR TASKS AND FUNCTION WELL IN THEIR AREA (UNLIKE CONTRACTORS). SINCE MOST EMPLOYEES WORK ONSITE, THE EMPLOYER MUST ENSURE THAT THERE ARE ENOUGH WORKSPACES AND HAVE SAFETY PROTOCOLS PUT IN PLACE.

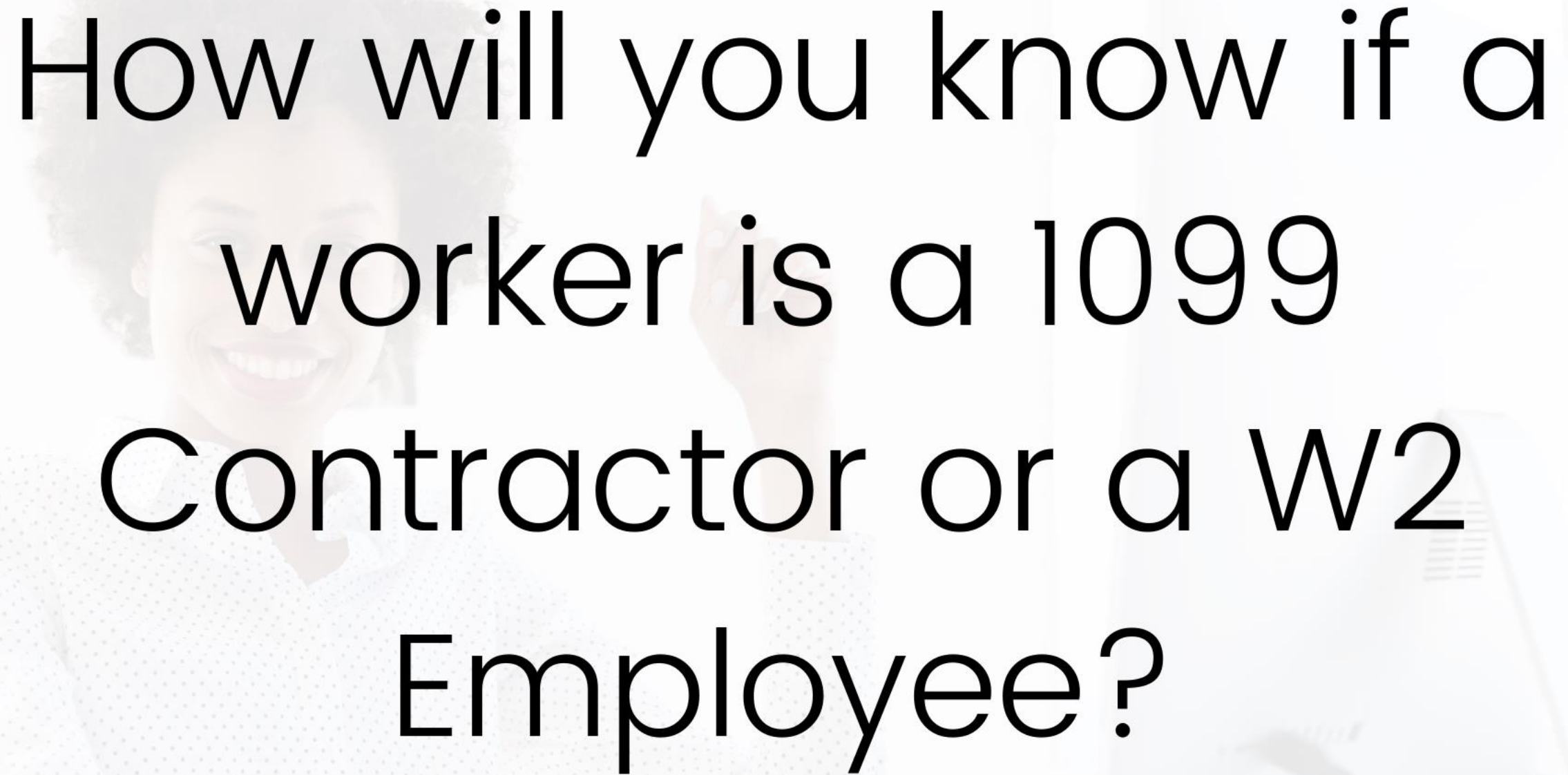
# W2 Employee

## Pros

EMPLOYERS HAVE MORE LEVERAGE OVER THEIR EMPLOYEES' SCHEDULES AND THEY CAN CHOOSE WHEN AND THE MANNER OF HOW THEY WORK. IF SOMETHING NEEDS TO BE DONE A CERTAIN WAY AT A SPECIFIC TIME, IT'S A GOOD IDEA TO HIRE AN EMPLOYEE TO DO IT.

## Cons

EMPLOYEE MANAGEMENT. TRAIN, MOLD, HANDLE, INSPIRE, AND MOTIVATE YOUR EMPLOYEES TO WORK FOR YOU, CHECK TO SEE IF THIS IS SOMETHING THE COMPANY HAS TIME AND RESOURCES TO DO.



How will you know if a  
worker is a 1099  
Contractor or a W2  
Employee?

**THE IRS PROVIDE SOME GUIDANCE ON THE  
MATTER THAT FOCUSES 3 AREAS OF  
CONSIDERATION.**

# THESE INCLUDE THE FOLLOWING:

## 1. BEHAVIORAL

DO YOU CONTROL OR HAVE THE RIGHT TO CONTROL YOUR WORKERS DO AND HOW DO THEY DO THEIR JOBS?

## 2. FINANCIAL

ARE THE BUSINESS ASPECTS OF YOUR WORKER'S JOB CONTROLLED BY THE PAYER, MEANING YOU AS THE BUSINESS OWNER? THESE INCLUDE HOW THE WORKER IS PAID, WHETHER EXPENSES ARE REIMBURSED, AND WHO PROVIDES SUPPLIES OR TOOLS?

### **3. TYPE OF RELATIONSHIP**

**DO YOU HAVE WRITTEN CONTRACTS OR EMPLOYEE-TYPE BENEFITS, SUCH AS INSURANCE, VACATION, 401 (K), AND SIMILAR? WILL THE RELATIONSHIP WITH YOUR WORKER CONTINUE OR BE PERMANENT? IS THE WORK THAT IS PERFORMED VITAL ASPECT OF THE BUSINESS.**



**IF THE ANSWER TO ALL OF THESE QUESTIONS IS  
A RESOUNDING YES, THEN YOU HAVE A W2  
EMPLOYEE.**

**ON THE OTHER HAND, IF IT'S A NO, YOU HAVE A  
CONTRACTOR.**



Remember!

**IF YOUR NEW HIRE CAN :**

- **CHOOSE WHERE AND WHEN THE WORK IS PERFORMED**
- **USE THEIR MATERIALS FOR THE WORK PERFORMED**
- **PAID A FLAT FEE OR HOURLY RATE THAT THEY INVOICE TO  
YOUR COMPANY**

**IS DEFINITELY A 1099 CONTRACTOR.**

**IF IT IS A MIX OF BOTH, YOU NEED TO GO BACK TO THE  
DRAWING TABLE AND SORT THINGS OUT TO AVOID ANY LEGAL  
REPERCUSSIONS.**



# When Hiring a Contractor



**YOU WILL NEED TO KNOW HOW TO  
WRITE A DEFINITE WORK SCOPE.**

**WORK SCOPES ARE CLEAR PROJECT OUTLINES  
THAT DEFINE OBJECTIVES, DELIVERABLES, AND  
EXPECTATIONS. THEY ARE ESSENTIAL WHEN  
WORKING WITH 1099 CONSULTANTS BECAUSE  
THEY...**



- **PROVIDE CLARITY ON PROJECT GOALS AND TASKS.**
- **ALIGN EXPECTATIONS BETWEEN YOU AND THE 1099.**
- **ENHANCE EFFICIENCY BY MINIMIZING MISUNDERSTANDINGS.**
- **ENABLE EASY EVALUATION OF CONSULTANT PERFORMANCE.**
- **IMPROVE COMMUNICATION THROUGHOUT THE PROJECT.**

# PROJECT SCOPE

Define the overarching goal of  
the project.

# DELIVERABLES

Outline specific outputs the consultant is expected to produce.

# EXPECTATIONS

Clearly state any requirements, deadlines, or specific guidelines.

A green pushpin is pinned to the top edge of the white paper, slightly to the left of the center.

EXAMPLE

## ***Project: Revamp Dessert Menu for Summer Season***

**Project Scope:** Develop a vibrant and enticing dessert menu to align with the summer theme.

### **Deliverables:**

- Design creative dessert options featuring seasonal fruits.
- Write captivating descriptions that highlight taste and ingredients.
- Source high-quality images of each dessert for visual appeal.

### **Expectations:**

- Deliver initial design concepts within 10 days.
- Accommodate up to 2 rounds of revisions based on feedback.
- Final dessert menu to be submitted in printable format within 3 weeks.



**BEST PRACTICES**

**CLEAR AND SPECIFIC  
LANGUAGE**



Emphasize the use of concise  
and precise language to avoid  
ambiguity.



**MEASURABLE  
OBJECTIVES**

Encourage setting goals that can be objectively measured, aiding assessment.



**REALISTIC TIMEFRAMES**

Discuss the importance of setting achievable deadlines that reflect project complexity.



**FLEXIBILITY**

Mention the value of allowing room  
for adjustments, considering  
unforeseen challenges.



**COLLABORATION**



Stress the significance of involving consultants in refining the scope for better alignment.

**When Hiring an Employee**

**HOW DO YOU WRITE AN EFFECTIVE JOB  
DESCRIPTION?**

**A POORLY THOUGHT-OUT JOB  
DESCRIPTION CAN RESULT IN HIRING  
FAILURE, AND REQUIRE YOU TO BEGIN  
THIS COSTLY AND TIME-CONSUMING  
PROCESS ALL OVER AGAIN.**



**A JOB DESCRIPTION IS A USEFUL, PLAIN-  
LANGUAGE TOOL THAT EXPLAINS THE  
TASKS, DUTIES, FUNCTION AND  
RESPONSIBILITIES OF A POSITION.**



**1. IT DETAILS WHO PERFORMS A  
SPECIFIC TYPE OF WORK**

**2. HOW WORK SHOULD BE COMPLETED  
ON THE ROLE**



**3. THE FREQUENCY AND THE PURPOSE  
OF THE WORK AS IT RELATES TO THE  
ORGANIZATION'S MISSION AND GOALS.**

# THEY ARE USED FOR A VARIETY OF REASONS

- DETERMINING SALARY
- CONDUCTING PERFORMANCE REVIEWS
- CLARIFYING MISSIONS
- ESTABLISHING TITLES AND PAY GRADES
- A TOOL FOR RECRUITING

# 6 STEPS IN WRITING AN EFFECTIVE JOB DESCRIPTION

Perform Job  
Analysis

1

Establish  
Essential  
Functions

2

Organize  
Data  
Concisely

3

Add the  
Disclaimer

4

Add the  
Signature  
Lines

5

Finalize

6

# 1 PERFORM JOB ANALYSIS

- **INTERVIEWING EMPLOYEES TO FIND OUT EXACTLY WHAT TASKS ARE BEING PERFORMED.**
- **OBSERVING HOW TASKS ARE PERFORMED.**
- **HAVING EMPLOYEES FILL OUT QUESTIONNAIRES OR WORKSHEETS.**
- **COLLECTING DATA ON JOBS FROM OTHER RESOURCES SUCH AS SALARY SURVEYS AND THE OCCUPATIONAL OUTLOOK HANDBOOK.**

ESTABLISH THE ESSENTIAL  
FUNCTIONS

- **ENSURE THAT THE TASKS AS PART OF THE JOB FUNCTION ARE TRULY NECESSARY OR A REQUIREMENT TO PERFORM THE JOB.**
- **DETERMINE THE FREQUENCY AT WHICH THE TASK IS PERFORMED OR HOW MUCH TIME IS SPENT PERFORMING A TASK.**
- **DETERMINE THE CONSEQUENCES OF NOT PERFORMING THE FUNCTION AND WHETHER THIS WOULD BE DETRIMENTAL TO THE EMPLOYER'S OPERATION OR RESULT IN SEVERE CONSEQUENCES.**

- **DETERMINE IF THE TASKS CAN BE REDESIGNED OR PERFORMED IN ANOTHER MANNER.**
- **DETERMINE IF THE TASKS CAN BE REASSIGNED TO ANOTHER EMPLOYEE.**



ORGANIZE DATA CONCISELY

## **THE FOLLOWING TOPICS SHOULD BE INCLUDED:**

- **JOB TITLE**
- **CLASSIFICATION**
- **SALARY GRADE/LEVEL/FAMILY/RANGE**
- **REPORTS TO**
- **START DATE**
- **SUMMARY/OBJECTIVE**
- **ESSENTIAL FUNCTIONS**
- **COMPETENCY**

- **SUPERVISORY RESPONSIBILITIES**
- **WORK ENVIRONMENT**
- **PHYSICAL DEMANDS**
- **POSITION TYPE**
- **EXPECTED HOURS OF WORK**
- **TRAVEL RREQUIREMENTS**

- **REQUIRED EDUCATION AND EXPERIENCE**
- **PREFERRED EDUCATION AND EXPERIENCE**
- **ADDITIONAL ELIGIBILITY QUALIFICATIONS**
- **AFFIRMATIVE ACTION PLAN/EQUAL EMPLOYMENT OPPORTUNITY (AAP/EEO) STATEMENT**

4  
ADD THE DISCLAIMER

**ADD A STATEMENT THAT INDICATES THAT THE JOB DESCRIPTION  
IS NOT DESIGNED TO COVER OR CONTAIN A COMPREHENSIVE  
LISTING OF ACTIVITIES, DUTIES OR RESPONSIBILITIES THAT ARE  
REQUIRED OF THE EMPLOYEE.**

5  
ADD THE SIGNATURE LINES

**SIGNATURE LINES SHOW THAT THE JOB DESCRIPTION HAS BEEN APPROVED  
AND THAT THE EMPLOYEE UNDERSTANDS THE REQUIREMENTS, ESSENTIAL  
FUNCTIONS AND DUTIES OF THE POSITION.**





FINALIZE

**A DRAFT OF THE JOB DESCRIPTION SHOULD BE PRESENTED TO UPPER  
MANAGEMENT AND THE POSITION SUPERVISOR FOR REVIEW AND  
APPROVAL.**

question  
ANSWER



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