

AlturaSolutions Communications Release

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CHICAGO — A [front-page story](#) in the February 18 issue of the *New York Times* reports that federal and state tax authorities throughout the United States are aggressively pursuing employers that misclassify employees as independent contractors.

Labeling a worker as an independent contractor can save money for the employer because the company is not responsible for worker's compensation, unemployment insurance, social security, and other expenses.

In addition, these companies may be able to charge less for their services than competitors following the rules.

The government typically views this as an unfair business practice; more importantly, it costs federal and state governments significant tax dollars.

The federal government estimates \$7 billion can be collected from employers that misclassify employees as independent contractors.

States will also benefit. The [Ohio attorney general](#) believes more than 92,000 employees in Ohio alone are misclassified as independent contractors, costing the state as much as \$223 million in tax revenues.

Historically, the [Internal Revenue Service](#) (IRS) has taken the lead on this issue with states following close behind. This time, however, many states are initiating their own investigations.

One case sited in California involved two BSCs. According to the *Times* report, 300 janitors were misclassified as independent contractors. The state now has a \$13 million judgment against the two companies.

BSCs have "outsourced" work and employed independent contractors for decades, and it can be done correctly, without tax consequences.

In general, an individual is an independent contractor if the BSC is only concerned about the *results* of the work [performed] and not the means and methods of accomplishing the result.*

Because the financial repercussions for misclassification can be severe, BSCs working with independent contractors are encouraged to make sure they are doing so correctly.

* A tax consultant or legal professional should be contacted to fully understand the

rules and regulations.

About AlturaSolutions Communications Inc.

[AlturaSolutions Communications](#), based in Chicago, is a communications, public relations, consulting and marketing firm working specifically with the JanSan, hospitality, school and building industries.