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"A Better Way to Clean"

TORNADO e-ALERT

The Tornado *e-Alert* is designed to alert the jansan industry to business-related issues and concerns specific to our industry. The service does not advise or recommend actions but encourages industry professionals to be aware of issues that can affect their businesses.

FOR IMMEDIATE RELEASE
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THE INDEPENDENT CONTRACTOR QUESTION

With tax season fast approaching, building service contractors and others in the jansan industry that hire independent contractors are urged to make sure they fully understand the rules and regulations regarding independent contractor status. If the Internal Revenue Service (IRS) finds that independent contractors should have been treated as employees, the consequences can be financially severe.

Recent trends indicate that the IRS is taking a closer look at this issue. This is likely because the use of independent

contractors in place of employees has been on the rise in the United States. A broad range of industries use independent contractors, but they are most commonly found working for trucking and delivery services, high-tech industries, and janitorial services.

Government labor statistics do not specifically track the number of independent contractors working in the country, but according to a Government Accountability Office report, it was estimated there were more than 40 million such workers in the United States as of 2005—almost a third of the entire workforce.

Many businesses find working with independent contractors to be a significant cost savings. When workers are treated as independent contractors, the company does not have to pay such things as employment taxes or workers' compensation.

Control Issues

As to accurate classification of independent contractors, at the heart of the issue is just how much *control* a company has over them.

In one case, a delivery company allowed its drivers to use their own trucks and offered some flexibility in delivery assignments. However, the delivery company required the drivers to display its company logo on their trucks, maintain dress standards, and meet various delivery and operational requirements. Although a final ruling is still pending, so far tax courts have indicated the company exerted enough control over these workers that they should have been treated as employees, requiring the delivery firm to pay years of back employment taxes, including penalties and interest.

In a similar case, another delivery company gave its drivers much greater flexibility in assignments, allowed them to hire their own independent contractors, did not require the drivers to bear the company's logo on their trucks, and had no specific dress or operational standards. The courts have ruled that these workers could indeed be treated as independent contractors.

In general, to classify a worker as an independent contractor the following criteria must be met:

- The independent contractor must be allowed to work for other clients.
- The independent contractor must be allowed the option of turning down job assignments.
- The independent contractor must be allowed the option of having another person do the actual work.
- The independent contractor must be able to determine how the work will be carried out.

Essentially, this means the hiring company can be concerned only with the *results* of the work performed by an independent contractor—but it can not control or direct how those results are accomplished.

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Tornado[®], a leading manufacturer of professional cleaning tools and equipment.

Available For Interviews And Industry Commentary:
Tornado Industries President Michael Schaffer is available for interviews and industry commentary by calling (708) 867-5100

About Tornado[®] a Tacony Company

Tornado Industries has been designing and engineering quality cleaning equipment for more than 80 years. The company has a long history of developing innovative products and applying the latest technology to increase productivity, reduce costs, and improve safety. Tornado prides itself on always being on the cutting edge of floor care cleaning solutions, as well as being committed to the success of its dealer network.

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