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## Debate

Taija Sparkman • Jun. 16, 2015



If you've been following the news lately, then you've probably heard of the lawsuits against some of the on-demand service providers which beg the question: are workers employees or independent contractors?

On-demand services providers hire workers to provide a service "on demand" to customers. For companies like Lyft and Uber, workers provide their own vehicles and set their own hours. They are also responsible for their own tax bill and ensuring they pay the right amount. For the workers, the on-demand service industry is

appealing because it can provide the flexibility they need or want. Many probably

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employee?

While there is no clear-cut answer, as a payroll practitioner, it's imperative that you help your clients navigate through the state and federal laws when classifying workers. Misclassifying workers could be a costly mistake. The issue is even trickier for companies that operate in separate states, as each state may have different rules and regulations. Make sure that you and your clients discuss the laws in each state they operate in.

If your client operates in the on-demand space, then now's a good time to reassess how workers are classified. Compare the employment conditions of the independent contractors to those that are classified as workers. Are there many similarities?

Determine the relationship between your client and their independent contractors, as well as the amount of behavioral and financial control they exhibit over their workers. Most companies may classify their workers as independent contractors, but if they have stipulations that prevent workers from working elsewhere, then they may not truly be independent contractors.

If you or your clients find they need to change the classification of any workers, they will also need to make provisions to pay payroll taxes and health coverage for these employees. Businesses can also face fines imposed on them for their entire payroll, even those classified as employees if they are found guilty of worker misclassification.

The recent employment trend of workers moving to the on-demand service industry has created an uptick in the number of workers classified as self-employed. However, just because they create their own schedule doesn't mean that they are not still, in fact, employees. Work with your clients to ensure that all worker classification is in

line with federal and state tests. Doing so now can prevent costly payroll headaches

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