

Employee Classification



Employee

W-2

- Works exclusively for a company.
- Company provides tools.
- Company controls duties.
- Company sets hours.
- Company directs work.
- Paid salary or hourly wage.
- Company withholds applicable taxes (income tax, social security, medicare).
- Company pays payroll & unemployment taxes.
- May have pension / group benefits.
- Injuries covered by company's insurance.

VS

Independent Contractor

1099

- Worker or laborer that is not a W-2 employee or subcontracting company.
- Usually contracted by a company for short term work or for one-off projects.
- May do work for other companies.
- May hire others to complete work.
- May provide own tools.
- Working hours are set by contractor.
- Does not get benefits.
- Paid by the job on a predetermined basis, hourly or daily.
- A 1099 IRS form is given to each worker at year end - not a company.
- The hiring company is responsible for workplace injuries.

VS

Subcontractor

- A subcontractor is a 1099 company, not a person.
- Legitimate, truly independent company with distinct company name, operations, phone, and email.
- Contracted to do work by an independent or General Contractor and is paid by them.
- Purchases their own business insurance and responsible for their own claims.
- Controls how the work is done.
- Has the opportunity for a profit or loss.
- Work is project-based with a fixed ending date.
- Has investment in the equipment or materials required for the task.