

IRS Launches Voluntary Worker Reclassification Program

November 2, 2011 by [D. Matthew Richardson](#)

On September 21, 2011, the [IRS](#) announced (in [Announcement 2011-64](#)) a new program that will allow employers to resolve their worker classification problems at a relatively low cost. This new [Voluntary Classification Settlement Program \(VCSP\)](#) is available to businesses that erroneously treat their workers or a class or group of workers as nonemployees or independent contractors, and now want to correctly treat these workers as employees. Employers accepted into the program will pay an amount effectively equaling just over one percent of the wages paid to the reclassified workers for the past year (technically, the employer will pay 10% of the employment tax liability that may have been due on compensation paid to the workers for the most recent tax year, determined under reduced rates). The employer will not be audited on payroll taxes related to these workers for prior years, and will not be subject to interest or penalties. To participate in the program, the employer must meet certain eligibility requirements, apply to participate in the VCSP, and enter into a closing agreement with the IRS.

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