



Contractor or Employee?

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It is risky to directly engage an individual contractor who does not have a business license, a state UBI number, his or her own place of business, his or her own equipment, and is solely dependent upon your business for their livelihood. Bona fide independent contractors are in business for themselves. They typically have multiple clients. They determine if they will do the work themselves, or use one of their employees or subcontractors to complete the job. They pay income and B&O taxes on their business revenues and payroll taxes on the compensation paid to their employees. Even a self-employed sole proprietor should have (and provide to you) a UBI number (used for paying B&O taxes to WA state), and an investment in his or her own business equipment, even if it is a home office. In short, “independent” contractors should not be working full-time at your business, using your equipment and supplies, and doing the same work as your W-2 employees.

When contractors are obtained through staffing firms or temporary help agencies, the contractor’s (e.g., temp’s), primary/payroll employer should be considered the staffing firm or temp agency, not the company who contracts to use such services.

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