12/31/15

Business or Farm client,

This letter is to inform you of the **issues of misclassifying workers** as independent contractors instead of employees and to how determine the correct classification.

In most of the seminars we took this year, they discussed the audits that the Internal Revenue Service, Department of Labor and Unemployment are doing to look for misclassified workers.

On the back side of this letter, there is **information to correctly classify workers** as employees or independent contractors. There is more information on *www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Independent-Contractor-Self-Employed-or-Employee* and *www.uimn.org/uimn/employers/wages-taxes/independent-contractors/index.jsp*.

If an employee is misclassified as a independent contractor, the employer may be responsible for paying the employee and employer portion of social security and medicare, Federal and State unemployment, benefits they would have been entitled to and the penalties for failure to file the correct tax forms, failure to pay tax due and late filing. They can go back and correct all open tax years. **These penalties are very substantial (may be more the tax owed)!**

If you have been misclassifying workers, there is a Voluntary Classification Settlement Program (VCSP) to assist you in correcting this and going forward correctly. The VCSP is a voluntary program that provides an opportunity for taxpayers to reclassify their workers as employees for employment tax purposes for future tax periods with partial relief from federal employment taxes. There is more information on www.irs.gov to see if you qualify.

Please contact us with questions or if you need assistance in setting up payroll.

Sincerely,

Lois Kunze, Enrolled Agent, RAP

Dawn Golly, Enrolled Agent, RAP