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CKR Financial Services

monthly journal

HELPING OUR CLIENTS GAIN THE ADVANTAGE OVER THE COMPETITION

Misclassification of an employee can be an expensive mistake.

Employee or Independent Contractor

We get this question frequently. The “Employee” doesn’t want taxes taken out of their paycheck and feels as if they are a “Contractor”, they would make more money. Employers want to avoid the hassle of setting up payroll and paying taxes.

Let’s break both of these down real quick. 1- If taxes aren’t taken out of the paycheck, the “employee” is responsible for what is called “Self-Employment Tax” which can amount to far more than having the taxes taken out from a normal paycheck. This means the “employee” pays both the employ**ER** and the employ**EE** part of Social Security and Medicare taxes, the self-employment tax rate is 15.3% and is in ADDITION to regular income tax. 2- An employer may face serious penalties and fines for misclassifying an employee

which usually FAR exceeds the expense of payroll setup and taxes. If you are going into business, set things up right from the start.

There are some instances where someone is legitimately an independent contractor and should be paid as such. In Nevada, DETR prefers to see independent contractors use an EIN (Employer Identification Number) rather than a SSN (Social Security Number) when classifying someone as a contractor because the EIN validates the contractor is already set up independently to handle business. DETR is highly suspicious of someone using solely a SSN as a contractor.

The IRS provides some guidance in this area. Facts that provide evidence of the degree of control and independence fall into three categories. The following three provisions are considered the Common Law Rules when

determining the difference between an employee and an independent contractor. 1-**Behavioral**: Does the company control or have the right to control what the worker does and how the worker does his or her job? (*Are you telling the laborer to be at your location at a certain time, what supplies to use, and overseeing their work? That makes them an employee. Did you and the laborer discuss the end result wanted, but they have autonomy to determine the amount of time needed for the task as well as the supplies involved? This is a contractor.*)

2-**Financial**: Are the business aspects of the worker’s job controlled by the payer? (these include things like how the worker is paid, whether expenses are reimbursed, who provides tools/supplies, etc.)

3-**Type of Relationship**: Are there written contracts or employee type benefits (i.e. pension plan, insurance, vacation pay, etc.)? Will the relationship continue and **is the work performed a key aspect of the business?** (*For instance, if you are supplying janitorial services to a painting business, you may be a contractor, but if you are supplying janitorial services to a cleaning company, you are more than likely an employee since that is their line of business.*)

Finally, document each of the factors used in coming up with the determination.

REMINDERS

Making time for yourself isn’t a waste of time. It is important. I keep talking about self-care and the need to do something that makes you feel special or rewards the hard work you put into your profession. The Dalai Lama says “If you don’t love yourself, you cannot love others.” You show yourself (and others) how much you value yourself by how you treat yourself. So, take time for yourself without guilt!





Management Elements

I want to encourage and inspire our business owners this month with some leadership tips. I've thought of our best practices, things I want to improve upon, as well as seeing what industry leaders suggest and I've come up with a short list of 4 elements to successful management.

DELEGATE: The immediate takeaway is to delegate lower-level functions to your staff so that the owner can work on the higher-level tasks that bring in more money. Heath tells me to give him the \$10 jobs so I can focus on the \$100 jobs and he's right. But I also delegate to my staff the jobs they were hired to do instead of being afraid they are doing them wrong. For my firm, delegation comes with accountability to review the work product and an increase in training to make my team members more valuable so I can offload more, higher-level tasks to them.

COMMUNICATE (FOLLOW-UP): This is one of the areas I strive to improve upon. While I communicate generously with my staff, I'm not always

able to return every email and phone call as quickly as I'd like while taking care of all of the higher-level tasks, daily fires, and meetings and machinations it takes to grow a business. I'm at the point in my business growth where I'm trying to enable my staff to be more capable and confident so that they can also absorb some of the communications. I also have an open-door policy with my team, so they know they can access me with any questions. But sometimes, a quick, what is called in the restaurant business, "table touch" is needed with clients and staff. Remember when you see your waiter pass your table but doesn't look at you or ask if you need anything? A quick table touch could keep you satisfied even if you don't need anything. If

I've been out for several hours due to meetings, I'll stop by each office and check in with my team for questions. In business, sometimes our clients are satisfied if a deadline changes just as long as they are kept in the loop. Again, I work on this one.

LISTEN: The first step in your staff feeling valued is that they are heard. Can they come to you with ideas? Can they bring work problems to you that they can't solve without feeling belittled? Is office grumbling a reflection of your management skills or is it dissatisfaction with a coworker? Is a disengaged staff member unhappy with their work or are there issues at home? Sometimes, what is being said is not the real issue and it takes active listening

"The secret of getting ahead is getting started."

-MARK TWAIN

"Whatever you are, be a good one."

-Abraham Lincoln

"Choose friends wisely. You're the average of the 5 people you associate with most."

-Tim Ferriss

to hear between the lines. When team members feel they are being heard, they become more engaged.

BIG PICTURE: Take time to get what I call, an "aerial view" of your operations. Rather than getting caught up in the minutia, rise above for a moment to see the lay of the corporate land, look at the overall impact of your business, see where you're steering the ship, and then come back down to see that all the fine details are working towards the same goal. If something is out of alignment, be it staff assignments, policies, or procedures, change it so that it falls in line to support your big picture.



IT'S A GOOD TIME TO REVIEW YOUR POSITIONING FOR YOUR 2022 TAXES. LET'S SET UP A CONFERENCE CALL AND DO SOME TAX PLANNING – NO NEED FOR AN OFFICE VISIT. GIVE CHRISTINE A CALL TODAY.

CKR Financial Services
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