

Employee vs. Independent Contractor Checklist

When contracting for services, you **must** evaluate whether the **Internal Revenue Service (IRS)** would consider the person providing the services an **independent contractor** or a **PSU employee**. There are financial consequences to PSU if the IRS determines that PSU misclassified a service provider.

An **independent contractor** is a person or business entity which:

- is free from PSU's immediate direction and control in their performance of the services
- is responsible to PSU only for the contracted result of the work, not the manner or method used to accomplish the work
- solely controls and directs how the service is provided, who provides it, and the means used to provide the service
- sets his/her own prices for goods and fees for service
- can terminate contract while not terminating his/her business
- can terminate contract while not creating an unemployment situation
- uses advertising to promote their business
- provides goods and/or services to a segment general public of their own choosing

When contracting for services you should use the following checklist, which compares an **employee characteristics** with those of an **independent contractor**.

EMPLOYEE

- Directed and controlled by PSU
- Does tasks in the manner PSU requests
- Does not have a financial investment in the work they are providing for PSU
- PSU provides tools, equipment, and skills training
- The individual works under PSU's business license
- Often receives benefits beyond payment for service (retirement and health plans)
- Receives a net check. PSU withholds income tax and FICA taxes.
- Works at PSU's place of business
- Works the hours set by PSU
- Works only for PSU
- Does not advertise

- Eligible for workers' compensation benefits
- Has some rights prior to termination
- Covered by minimum wage and overtime rules
- May join or form a union

INDEPENDENT CONTRACTOR

- Independent
- Does tasks in his/her own way
- Assumes the costs associated with doing the work for PSU
- Comes to the job with required tools, equipment, skills
- The individual obtains his or her own business license
- Receives only payment for service

- Receives a gross amount check. Pays own taxes.
- Works at his/her own office or home
- Sets his/her own hours
- Provides services to multiple entities
- Has customers as a result of advertising and being known by the public as a business
- Not covered by PSU's workers' compensation
- No rights prior to termination unless contracted
- Paid as contracted; no overtime
- No right to union representation

If you need help making a determination, please contact Contracting and Procurement Services by email at contract@pdx.edu or by phone at 5-3441.

If it is determined that the relationship you are considering falls into the Employer/Employee category, you must contact Human Resources by email at askhr@pdx.edu or by phone at 5-4926 to determine the appropriate mechanism for hiring the individual.