

Employee vs. Independent Contractor

Proper classification of individuals is critical to appropriately process and make payments for services. Under the United States Internal Revenue Service (IRS) and other agency guidelines, GRCC has certain responsibilities. Independent contractor payments must be tracked for taxable income reporting on Form 1099, and employee payments are subject to employment taxes and are reportable on Form W-2. In addition, employees may be eligible for benefits. Errors in employee/non-employee classification may lead to significant fines and penalties due to lack of appropriate income reporting, tax withholding, or provision of benefits.

- An employee depends on an employer for income on a continuing basis and performs services that can be controlled and supervised by GRCC. Additionally, any individual who has been paid on GRCC payroll in the current calendar year is treated as an employee, even if the relationship might otherwise qualify as that of an independent contractor.
- An independent contractor relationship may exist when both: GRCC has the right to control or direct only the result of the work, and GRCC does not direct what will be done or how the work will be performed.

The final determination of an individual's relationship will be made by GRCC Human Resources. The assessment of the work characteristics will conclude with one of the following results:

Result 1: Employee

If the supervisor or the department expect to assert employer controls, the individual is to be engaged as an employee and paid according to the provisions for employees. For nonresidents, the individual's visa must qualify for employment in the determination of eligibility to work. Refer to HR contact to initiate employee paperwork.

Result 2: Independent contractor

If the work will be free from employer controls, the individual may be engaged as a contractor and paid according to the provisions for engaging independent contractors. Refer to the [GRCC Purchasing Policy](#) to initiate payment.