



## Difference Between Employee and Contractor

The difference between employee and contractor comes down to the nature of the work that the worker is asked to complete, including whether they have to provide their own equipment, the consistency of the work, and where the work is being completed.

### ***What Is an Independent Contractor?***

An independent contractor is **NOT** the same thing as an employee. The rules governing employers when it comes to hiring independent contractors fall under the U.S. Fair Labor Standards Act. The employer is under no obligation to provide medical benefits for the contractor, and that worker is forced to find insurance on their own. The contractor does not have the option of joining a labor union at the company. Local, state, and federal taxes will not be deducted from the contractor's paychecks.

If the company is hiring someone with the expectation that the person will supply their own equipment, the worker should be compensated as an independent contractor. Any instance in which the company does not supply its workers with all the equipment necessary to perform the basic duties and responsibilities of the job, the workers will be considered independent contractors.

Independent contractors:

- Tend to work where and as often as they please.
- They might have their own office that's not connected to the employer such as a co-working space or an at-home office.
- This person also works for the most part on their own, without relying on constant feedback or oversight.
- If an employer is not satisfied with the contractor's work, they will simply end the contract.

Unlike a traditional employee, an independent contractor will not see taxes deducted from their paychecks. They are not subject to Federal Insurance Contributions Act (FICA) withholding and must pay taxes on their personal income using what's known as self-employment tax. This person will usually have to monitor their income at the end of the year and pay local, state, and federal taxes in bulk. This usually requires some budgeting and financial planning on the part of the contractor.

An Independent Contractor cannot receive unemployment benefits if they lose one of their jobs. They are also not eligible for workers' compensation. That means that if the worker were unexpectedly let go from the company, they cannot collect unemployment from the federal government.

-----  
I acknowledge by working with Creative Resources Connections LLC, my status is as an Independent Contractor. I understand that I, as a Contractor, I am not eligible for any benefits including but not limited to unemployment benefits or Worker's Compensation.

\_\_\_\_\_  
Signed

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name