



Hiring paid teachers: Are they employees or independent contractors?

By Carol L. Topp, CPA

Many homeschool groups hire qualified teachers to conduct a class from their students. Here are some helpful details on hiring paid teachers.

A homeschool group can hire a teacher as an employee or as an independent contractor. The difference depends on how much control the homeschool group has over the teacher. The facts of the situation determine worker status, not the homeschool group's preference. If a homeschool organization controls the class content or curriculum, requires teacher training, or evaluates teacher performance they are treating the teacher as an employee. The IRS uses three broad categories to determine worker status: behavioral control, financial control and type of relationship. See <http://www.irs.gov/taxtopics/tc762.html>. The IRS also has a brochure *Independent Contractor or Employee* (Publication 1779) to help organizations determine worker status (see <http://www.irs.gov/pub/irs-pdf/p1779.pdf>)

If a teacher is an *employee* the organization must give him or her a W-2 and file copies with the Social Security Administration (SSA). In addition, federal income tax, Social Security and Medicare taxes must be withheld and paid quarterly. If the teacher is an *independent contractor* the organization must give each worker making more than \$600 in a calendar year a Form 1099MISC and file copies with the SSA. Federal income tax, Social Security and Medicare taxes are not withheld nor paid. The independent contractor is responsible for reporting income on Schedule C of the Form 1040 and paying self-employment tax.

The issue of worker status has gotten a lot of attention lately as the IRS scrutinizes under-reporting of income by independent contractors and misclassifications by the organizations that hire them. It is very important that homeschool group leaders become familiar with employment regulations and taxes before hiring paid teachers.

I have written a 20 page ebook, ***Paying Workers in a Homeschool Organization***, that discusses worker classification in more depth as well as helpful checklists, sample forms, a FAQ (frequently asked questions) page and a sample independent contractor agreement. Go to my website HomeschoolCPA.com and click on Bookstore to order a copy for your organization.

Carol L. Topp, CPA is a home schooling mother of two daughters. She enjoys using her accounting skills helping non-profit organizations as well as serving as Treasurer on her

home school coop board. She and her family live in Cincinnati, Ohio. Her website is www.HomeschoolCPA.com

Copyright 2006. All right reserved.