



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 a 20 factor test to determine employee or independent contractor status (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.

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