

for your company and do with few or even no employees?

Defining the difference

The answer is that the IRS is well aware of the advantages of using contractors. Therefore, the IRS has established rules governing how independent contractors are classified, as opposed to employees. Drilling down, the major difference is a matter of control.

Hiring an independent contractor to do a specific task is fine. You tell the contractor what you want done, and you pay for results. However, if you tell the worker how and when and where the work is to be done,

you risk having that worker re-cast as an employee by the IRS.

In some cases, common sense will apply. If that freelancer works on your website while doing other paying jobs for other companies, chances are the IRS will go along with independent contractor classification. On the other hand, if you have a person who works from home as a freelancer but works only on your website, does it more or less full time, and takes direction from your IT people, you may have a difficult time treating him or her as a contractor.

If you have been misclassifying employees as contractors, the penalties can be steep. Our office

can discuss your workers with you, letting you know how to proceed in order to legitimately treat them as independent contractors. ■

Did You Know?

Among people who buy individual life insurance policies at their workplace, 75% belong to either Generation X or Generation Y (now ages 20-48). Of those buying life insurance through an offer from work, 36% apply for the coverage online or via email, more than any other application method.

Source: LIMRA

TAX CALENDAR

FEBRUARY 2015

February 2

All businesses. Give annual information statements (Forms 1099) to recipients of certain payments you made during 2014. Payments that are covered include (1) compensation for workers who are not considered employees, (2) dividends and other corporate distributions, (3) interest, (4) rents, (5) royalties, (6) profit-sharing distributions, (7) retirement plan distributions, (8) original issue discounts, (9) prizes and awards, (10) medical and health care payments, (11) debt cancellations (treated as payment to debtor), (12) payments of Indian gaming profits to tribal members, and (13) cash payments over \$10,000. There are different forms for different types of payments.

Employers. Give your employees their copies of Form W-2 for 2014.

For nonpayroll taxes, file Form 945 to report income tax withheld for 2014 on all nonpayroll items, such as backup withholding and withholding on pensions, annuities, and IRAs.

For Social Security, Medicare, and withheld income tax, file Form 941 for the fourth quarter of 2014. Deposit or pay any undeposited tax. If your tax liability is less than \$2,500, you can pay it with the return. If you deposited the tax for the quarter in full and on time, you have until February 10 to file the return.

For federal unemployment tax, file Form 940 (or 940-EZ) for 2014. If your undeposited tax is \$500 or less, you can either pay it with your return or deposit it. If it is more than \$500, you must deposit it. However, if you already deposited the tax for the year in full and on time, you have until February 10 to file the return.

February 17

All businesses. Give annual information statements (Forms 1099) to recipients of certain payments you made during 2014. Payments that are covered include (1) amounts paid in real estate transactions, (2) amounts paid in broker and barter exchange transactions, and (3) payments to attorneys.

Individuals. If you claimed exemption from income tax withholding last year on the Form W-4 you gave your employer, you must file a new Form W-4 to continue your exemption for another year.

Employers. For Social Security, Medicare, withheld income tax, and nonpayroll withholding, deposit the tax for payments in January if the monthly rule applies.

February 18

Employers. Begin withholding income tax from the pay of any employee who claimed exemption from withholding in 2014, but did not give you a new Form W-4 to continue the exemption for 2015.

MARCH 2015

March 16

Corporations. File a 2014 calendar year income tax return (Form 1120) and pay any tax due. If you want an automatic six-month extension of time to file the return, file Form 7004 and deposit what you estimate you owe.

S corporations. File a 2014 calendar year income tax return (Form 1120S) and pay any tax due. Provide each shareholder with a copy of Schedule K-1 (Form 1120S), "Shareholder's Share of Income, Deductions, Credits, etc.," or a substitute Schedule K-1. If you want an automatic six-month extension of time to file the return, file Form 7004 and deposit what you estimate you owe.

S corporation election. File Form 2553, "Election by a Small Business Corporation," to choose to be treated as an S corporation beginning with calendar year 2015. If Form 2553 is filed late, S corporation treatment will begin with calendar year 2016.

Electing large partnerships. Provide each partner with a copy of Schedule K-1 (Form 1065-B), "Partner's Share of Income (Loss) From an Electing Large Partnership," or a substitute Schedule K-1. This due date applies even if the partnership requests an extension of time to file the Form 1065-B by filing Form 7004.

Employers. For Social Security, Medicare, withheld income tax, and nonpayroll withholding, deposit the tax for payments in February if the monthly rule applies.