

# “1099 INDEPENDENT CONTRACTORS”

LOSE BENEFITS BY BEING AN INDEPENDENT  
CONTRACTOR

## KNOW WHAT YOU LOSE

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### 1099 INDEPENDENT CONTRACTORS IN MICHIGAN CONSTRUCTION

#### What you Lose being a 1099 employee

- **You will have no Workers Compensation (WC) from your Contractor/Owner if you are injured on the job.** You may contact an attorney who handles WC Injuries and file a civil action against the Owner/Contractor you are working to recover medical bills and loss of time, pain & suffering, but you will ‘Fight for it’.
- **You will have no Unemployment Compensation if your job ends.** While regular employees are eligible for Unemployment Compensation (U.C.) if they are laid off – 1099 employees are not eligible for this benefit from your Contractor or Owner. If you were ‘Misclassified’ as a 1099 contractor you ‘may’ be eligible for UC.
- **You Must Pay all of the Payroll Tax’s to Federal and State Government.** FICA (Social Security) taxes are 12.4% of your payroll, Medicare is 2.9% of your payroll, plus regular State and Federal Income Taxes.

*Example: if you earn \$30,000. (assumes a \$15/hr full time employee) a year you will have to pay these FICA and Medicare taxes of \$4,590./ yr. plus your State and Federal Income Taxes.*

$\$30,000 \times 12.4\%$ Social Security equals	\$3720.
$\$30,000 \times 2.4\%$ (Medicare) equals	<u>870.</u>
Total	\$4,590.

- You will have No Benefits from your Contractor or Owner. Many regular employees working for a contractor have benefits provided by the company to include Health Insurance for you and your family, 401-K or retirement plan, dental insurance, eye care insurance, Life Insurance, Short term disability insurance, etc.

# What is the definition of a 1099 Independent Contractor?

The Internal Revenue Service looks at all this criteria:

- **YOU** have control and discretion over the performance of, the means and manner of the work, and your Owner/Contractor does not supervise the means or manner of your work.
- **You** can control the time of the day or the night when work is performed, not your Owner/Contractor unless covered by a contract.
- **You** provide the labor and furnish all or a substantial part of the equipment, materials, tools for the job.
- **You** are paid in part or entirely for the amount of work by lump sum, and usually never by 'the hour' or for the amount of time you work
- **You** have a 'Special Skill' such as an Architect, Doctor, Broker, Nurse and you are in business for yourself.
- **If Your employer has incorrectly paid you** as a 1099 Independent Contractor – Your employer may have liability to pay you time and a half for all hours over 40 hours per week per Wage & Hour Regulations.

*If you have Questions regarding your 'Risks & Costs' of being a 1099 Independent Contractor and would like to discuss this with someone who can help you, Call the Michigan Fair Contracting Center and ask for Dan Argentati at 734-462-2330*

*This Document is not intended to be legal advice, or that legal action should be taken on the basis of this document. Anyone having questions regarding legal rights should contact an attorney.*