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Nov. 18, 2013

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Independent contractors

One of the most common mistakes businesses make when filing their unemployment insurance tax reports each quarter is misclassifying their employees as independent contractors. When we discover these mistakes, the business must pay back taxes for all misclassified workers, plus penalties and interest.

Use the following two tests to help you determine a worker's status. There is one test specifically for electrical and construction contractors and one for all other industries. If a worker passes one of the following tests, he or she is an independent contractor. If not, he or she is an employee and should be reported on your quarterly unemployment tax report. If you are unsure whether a worker qualifies as an employee, contact your [Tax Account Management Center](#).

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Electrical & construction industries

Service performed for compensation by an individual in the electrical or construction industries is employment unless it is shown that:

1. The individual is free from direction and control over the performance of the service; **and**
2. The service is either performed:
 - Outside of the usual course of business for which the service is performed, or
 - Outside of all the places of business of the enterprise for which the service is performed; or
 - The individual has a principal place of business and is responsible for the costs; **and**
3. The individual:
 - Is customarily engaged in an independently established trade, occupation, profession, or business of the same nature as that involved in the service contract, or
 - Has a principal place of business that is eligible for a federal income tax business deduction; **and**
4. On the effective date of the contract of service, the individual is responsible for filing a schedule of expenses with the Internal Revenue Service; **and**
5. On the effective date of the contract or within a reasonable period after the effective date of the contract, the individual has an:
 - Active account with the Department of Revenue,
 - Active account with any other state agencies, and
 - A Unified Business Identifier (UBI) number; **and**
6. On the effective date of contract of service, the individual is maintaining a separate set of books or records that reflect all items of income and expenses of the business that the individual is conducting; **and**
7. On the effective date of the contract, the individual has a valid contractor registration under [RCW 18.27](#) or an electrical contractor license under [RCW 19.28](#) if the work requires a registration or license.

All other industries

Service performed by an individual for compensation is *employment* **unless** it is shown that:

1. The individual is free from direction and control over the performance of the service; and

2. The service is either performed:
 - Outside of the usual course of business for which the service is performed, or
 - Outside of all the places of business of the enterprise for which the service is performed; and
3. The individual is customarily engaged in an independently established trade, occupation, profession or business of the same nature as that involved in service contract.

Or, as a separate alternative, service performed by an individual for compensation is employment **unless** it is shown that:

1. The individual is free from direction and control over the performance of the service; **and**
2. The service is either performed:
 - Outside the usual course of business for which the service is performed, or
 - Outside of all places of business of the enterprise for which the service is performed, or
 - The individual has a principal place of business and is responsible for the costs; **and**
3. The individual:
 - Is customarily engaged in an independently established trade, occupation, profession, or business of the same nature as that involved in the service contract, or
 - Has a principal place of business that is eligible for a federal income tax business deduction; **and**
4. On the effective date of the contract of service, the individual is responsible for filing a schedule of expenses with the Internal Revenue Service; **and**
5. On the effective date of the contract or within a reasonable period after the effective date of the contract, the individual has an:
 - Active account with the Department of Revenue,
 - Active account with any other state agencies, and
 - A Unified Business Identifier (UBI) number; **and**
6. On the effective date of contract of service, the individual is maintaining a separate set of books or records that reflect all items of income and expenses of the business that the individual is conducting.

If you are unsure whether a worker qualifies as an independent contractor, contact your [tax account management center](#)

Relevant laws and rules

Employment exceptions test for:

- [electrical and construction contractors](#)
- [all industries](#)

[Definitions Relating to Independent Contractor](#)

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