

Employee or independent contractor? An instructional case involving a worker classification dilemma

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ABSTRACT

This instructional case has been crafted to provide students with an experiential learning tool to help develop and exercise analytical and critical thinking skills while addressing issues involving an individual's employment status and potential income tax liability. Worker misclassification continues to be of grave concern to the Internal Revenue Service (IRS) since such misclassifications may have significant income taxation implications, including significant losses to the U. S. Department of the Treasury and programs like Medicare and Social Security. The case involves John McCloud a current graduate student and aspiring certified public accountant (CPA). He works as a government accountant by day, and to earn extra money to prepare and sit for the CPA exam, works as a janitor by night. John is hired as an independent contractor to provide light janitorial services for a small commercial office building owned by Todd Langham, a novice investor in real property who has no property management experience. Although the written agreement entered into by John and Todd appears to substantiate a valid employer-independent contractor relationship, actual events and activities involved in executing the agreement appear to blur that relationship and make it highly questionable. And, such a highly questionable position could have profound income taxation implications and/or consequences for John and Todd.

Keywords: independent contractor, fissured workplace, worker misclassification

Note: This is a fictitious instructional case.