NONPROFIT LABOR & INDUSTRIES NAVIGATOR

ACTION GUIDE

NONPROFITS WORKING WITH INDEPENDENT CONTRACTORS

What to know

- ❑ Many nonprofits engage independent contractors. It's important to **know what they are in the eyes of the law** to make sure you stay compliant and protect your organization.
- ❑ In Washington, independent contractors must past a **6-part test**. You must say "yes" to all 6 parts.
  - Are they free from your supervision, direction, or control?
  - Is the individual's business different and separate from your own?
  - Does the individual have an established independent business that existed before you brought them on—or—does the individual have a principal place of business that qualifies for an IRS business deduction?
  - Is the individual responsible for filing a schedule of expenses with the IRS, such as would be part of a business tax return?
  - Does the individual have all required registrations and licenses for their business?
  - Does the individual maintain his/her own set of books and records that reflect all income and expenses of the business?
- ❑ Make sure you have **written proof** of the above.
- ❑ If they do not pass all 6 parts, they are considered **employees**.
- ❑ **Keep clear records** of your dealings with independent contractors.

Next steps

- ❑ Review your list of independent contractors to see if any of them should be classified as employees.
- ❑ Review your records to make sure you have the proof needed for each independent contractor.
- ❑ What additional documentation do you need to gather and keep? Write your notes below:

Watch the video

Use this QR code to watch a short video on your phone:

https://nonprofitlearning.center/LNI-independent/

This Action Guide is part of the Nonprofit Labor & Industries Navigator series. We've created learning tools with what you need to know to keep your nonprofit compliant: **Download the Washington State Labor & Industries Nonprofit Navigator Guide: nonprofitlearning.center/LNI**