

The reasons behind the decision to authorize irs with company taxations

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According to Harned et al (2010), for purposes of taxation the IRS has a criterion that is used in determining whether a worker is a company employee or is an independent contractor. In the case of a company employee, the company is liable to tax returns to the IRS on behalf of the employee. On the other hand if the worker is an independent contractor, the worker tax returns to IRS independently. According to Lindsay & Dewberry (2016), the IRS criterion for an independent contractor is one who;

- Controls his work schedule in terms of the number of hours they can work and how they shall accomplish the end results
- Provides all their own working supplies, tools and equipment and when need be extra labour
- Has been employed temporarily and can be easily dismissed
- Can decide not to show up for work any day especially if they are subcontracted by several other firms
- Does not entirely depend on the company for their sustenance and monthly income

A company employee has the following criteria

- Has been permanently employed by the company or is employed for a significant period of time within which they are bound to the company laws, regulations, policies and procedures.
- Depends on the company to provide all the working tools and equipment and in most instances on job training in order to get the job done.
- Has a well set out itinerary and job description that is clearly outlined and properly communicated to them, in this case they are not

independent to decide what to do in a specific day as it is decided for them beforehand.

- They depend completely on the company for their monthly income

According to Jones; Grace and Hope are paid \$20 whenever they are able market the company's services and bring in a new client. They are allowed to choose the number of hours they will work and the destination where they shall go to market the company's services. According to the Hansen v. United States 2001 this automatically makes them independent contractors as they are not permanently employed. The ladies have been allowed to have a significant level of independence in terms of determining their work schedule and itinerary. Additionally they can choose when to work and when not to work for Maid4U. This ultimately means that they do not necessarily depend on the company entirely for a monthly income.

April, Mae and June offer the cleaning services on behalf of Maid4U company. As per their agreement with the company they are to provide their own tools and equipment that are required to adequately clean the client's home as per their specifications and requirements. Once the client pays, they are eligible to 50% of the total amount. This automatically means that they are an independent entity that has been subcontracted by Maid4U to offer professional services (Hagiu&Biederman, (2015). Jenner plays more of a supervisory role of ensuring that her client's needs have been met and the services offered were satisfactory, conversely she does not engage in any other matter with the three of them upon fulfilling the cleaning duty to the client.

IRS is bound by law to use the aforementioned employee/independent contractor criteria to determine whether or not Maid4U was in violation of the law by not paying employee taxes. According to Sconfield, (2016) there is need for the aforementioned criteria to be made clear to all workers to avoid fraud as a result of ignorance. As per the criteria Grace, Hope, April, Mae and June are all independent contractors who do not entirely depend on the company for a monthly income as they are paid as per the services they offer and when they offer them. In case Grace and Hope have not been able to get new clients in an entire month they do not receive any payment. It would be against the labour laws for the company Maid4U to pay the two women \$20 per every new client who comes in with a coupon from them. This is below the minimum wage rate of a permanent employee (Bauer-Rutgers, 2014). This means that they have the opportunity to engage in other endeavours during the course of the day as well as hand out the coupons.

As for April, Mae and June in case they are not available for the cleaning job they do not get paid. Additionally they are eligible for 50% of the payment made by the client because they make their own investment into the job as well for instance by using their own consumables like detergents and also their own machines and tools to get the work done. In other words they are investors who should pay their taxes separate from the company Maid4U.

Upon conducting a close analysis, the IRS audit is likely to reveal that the five ladies are not Maid4U permanent employees but instead are independent contractors who owe to pay taxes separately from the

company. Additionally, it becomes clearer that Jenner plays more of a supervisory role to different individuals who work independent to the company. As per the law, the different contractors are liable to paying taxes and filing their tax returns annually as per their annual income. Jones would be willing to give all the details required by law to IRS about the income earned by the ladies via the Maid4U company conversely, this would be all the assistance that she can lend in her capacity as an independent entity from them.