

**PRIVILEGED AND CONFIDENTIAL  
ATTORNEY-CLIENT COMMUNICATION**

**Date:** [Insert Date]

**To:** [Client Name/Management Team]

**From:** [Attorney Name/Law Firm]

**Subject:** Legal Advisory: Independent Contractor Misclassification Risk Assessment

Dear [Client Name],

This letter provides a legal assessment of the risks associated with the classification of certain service providers as independent contractors rather than employees.

## **1. Executive Summary**

Based on our review of [Insert Department or Project Name], there is a [Low/Moderate/High] risk that regulatory bodies or courts may deem these individuals employees under applicable labor laws. Misclassification carries significant financial and legal exposure.

## **2. Legal Framework**

In determining worker status, authorities typically apply the following tests:

- **The Control Test:** Does the company dictate how, when, and where the work is performed?
- **The Economic Realities Test:** Is the worker economically dependent on the company?
- **The ABC Test:** (If applicable) Does the worker perform tasks outside the usual course of the company's business?

## **3. Identified Risk Factors**

Our analysis identified the following factors that suggest an employment relationship:

- [Factor 1: e.g., Integration into daily operations]
- [Factor 2: e.g., Provision of equipment and tools]
- [Factor 3: e.g., Restrictions on working for other clients]

## **4. Potential Liabilities**

Should a misclassification be determined, the company may be liable for:

- Unpaid overtime and minimum wage violations.
- Unpaid payroll taxes (Social Security, Medicare, Unemployment).
- Failure to provide workers' compensation insurance.
- Unpaid benefits (health insurance, 401k, paid leave).

- Statutory penalties and legal fees.

## **5. Recommendations**

To mitigate these risks, we recommend the following actions:

- [Recommendation 1: e.g., Revise Independent Contractor Agreements]
- [Recommendation 2: e.g., Modify operational reporting structures]
- [Recommendation 3: e.g., Reclassify high-risk contractors to W-2 status]

Please contact us to discuss these findings and develop a remediation plan.

Sincerely,

[Signature]  
[Name of Attorney]  
[Law Firm Name]