

**PRIVILEGED AND CONFIDENTIAL
ATTORNEY-CLIENT COMMUNICATION**

TO: [Client Name/Management]
FROM: [Law Firm/Legal Counsel Name]
DATE: [Insert Date]
RE: Risk Advisory: Misclassification of Contract Attorneys

Dear [Name],

This letter serves to advise [Company Name] regarding the legal and financial risks associated with the classification of contract attorneys as independent contractors (1099) rather than employees (W-2).

1. The Legal Standard

Regulatory bodies, including the Department of Labor (DOL) and the IRS, utilize specific "Economic Reality" or "Control" tests to determine worker status. Key factors include the degree of behavioral control, financial control, and the integration of the worker into the core business.

2. Identified Risk Factors

Our preliminary review suggests that contract attorneys may be viewed as employees if the following conditions exist:

- The company dictates specific working hours and methods of performance.
- The company provides the necessary software, office space, and equipment.
- The services provided are a core function of the company's primary business.
- The relationship is indefinite or long-term in nature.

3. Potential Consequences of Misclassification

Failure to properly classify workers can result in significant liabilities, including:

- Unpaid overtime compensation and back wages.
- Unpaid employment taxes (Social Security, Medicare, FUTA).
- Penalties for failure to provide workers' compensation insurance.
- Disqualification of retirement or benefit plans.
- Legal fees and administrative fines from state and federal agencies.

4. Recommendations

To mitigate these risks, we recommend a formal audit of all current independent contractor agreements. We should evaluate whether to transition high-risk contractors to W-2 status or modify existing contracts to ensure they meet the "independent" criteria under current law.

Please contact us at your earliest convenience to discuss a strategy for compliance.

Sincerely,

[Signature]
[Printed Name]
[Title]