

head>

Date: [Insert Date]

To: [Insert Client Name/Management Name]

From: [Insert Consultant/Legal Counsel Name]

Subject: Independent Contractor Status Review and Risk Advisory

Dear [Insert Name],

This letter provides a formal review of the worker classification status for [Insert Name of Contractor/Entity] and outlines the potential risks associated with this engagement.

1. Scope of Review

We have evaluated the current working relationship between [Company Name] and [Contractor Name] based on the following criteria:

- Behavioral control (instructions and training).
- Financial control (reimbursements and investment in equipment).
- Type of relationship (written contracts and employee benefits).

2. Status Determination

Based on our analysis, the worker is currently classified as an **Independent Contractor**. However, the following factors were identified as borderline indicators of an employer-employee relationship:

- [Insert Factor 1, e.g., Integration into daily team meetings]
- [Insert Factor 2, e.g., Use of company-provided software or hardware]
- [Insert Factor 3, e.g., Exclusivity of services]

3. Risk Advisory

Misclassification of workers can lead to significant legal and financial liabilities. Potential risks include:

- **Tax Liabilities:** Unpaid federal, state, and local payroll taxes, including FICA and FUTA.
- **Benefit Claims:** Retroactive claims for health insurance, 401(k) contributions, and paid time off.
- **Wage and Hour Violations:** Liability for unpaid overtime and minimum wage requirements under the FLSA.
- **Penalties:** Interest and fines imposed by the Department of Labor (DOL) or the IRS.

4. Recommendations

To mitigate the risk of reclassification, we recommend the following actions:

- Ensure a signed Independent Contractor Agreement is in place that explicitly states the contractor is responsible for their own taxes.
- Avoid supervising "how" the work is performed; focus only on the final result.
- Ensure the contractor invoices the company for services rendered rather than receiving a recurring salary.

Please review these findings and contact us if you wish to proceed with a formal reclassification or adjustment of the service terms.

Sincerely,

[Insert Signature Name]

[Insert Title]