

REQUIREMENTS FOR DETERMINING  
EMPLOYEES COVERED FOR UNEMPLOYMENT COMPENSATION  
VS. INDEPENDENT CONTRACTORS

Indiana Code 22-4-8-1 defines “employment” as service performed for remuneration by an individual under any contract of hire UNLESS AND UNTIL it is satisfactorily shown that the person was:

- A. Free from control and direction in connection with the performance of such service ... AND
  - B. Service is performed outside the usual course of the business ...AND
  - C. The individual is customarily engaged in an independently established occupation, profession, or business ... or is a sales agent paid solely by commission and is the master of their own time and effort.
- Remuneration (unless excluded) means all compensation for personal services, including commissions, bonuses, dismissal, vacation & sick pay, and the cash value of compensation in any medium other than cash, etc.

For individuals questioned during the audit, you should have available source documents to show the basis for not treating the payees as employees. The issuance of a 1099 is NOT an indication of the reason for your decision.

The list below includes examples of items which MAY indicate that the payee met the exceptions to employment:

Invoice	Business Phone Listing
Federal Identification Number	Certificates of Insurance
Billing Statement	Liability Bond
Business Card	License
Receipt	Permit
Business Stationary	Legally Valid Contract
Business Sign	IRS form SS8 Determination
Business Advertising	Payee's Business Tax Return, etc.
Business Promotional Item	

Any document must be evaluated on its own merit. The information above is intended only as a general guideline.