

Ask Entrepreneur

Finance & Accounting

Q:

How do I give a temporary employee a 1099 form?

We had two employees work for us for only one job. I have not paid them yet. Should I write them a check and give them a 1099 form at the end of the year, or should I pay them through payroll and send them a W2 form? They used our equipment and made less than \$600.

Asked by precisioncutslandscape

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Answer by [Ryan Himmel](#)



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The 1099 verses W2 topic can definitely be confusing to employers so I can see why you asked this question. Before I address whether to issue a 1099 or a W2 form to the workers, let's first address whether or not they are considered employees or independent contractors.

You stated in your question that you had two **employees** work on one job only. Are these employees that did a side job or are they actually independent contractors that you mistakenly labeled as employees?

If they are employees, then it doesn't matter what job they did, they should be issued a W2 form and be treated as employees. But, if they are independent contractors and you didn't pay them more than \$600, you are correct in stating that you don't have to issue them a 1099 form and it is their obligation to report the income on their **tax returns**.

If you are not sure if they are employees or independent contractors then you will have to review the IRS rules. Below I've provided some guidance on deciding whether or not they fall under the employee or independent contractor category.

The general rule is that an individual is an independent contractor if they, the person for whom the services are performed, have the right to control or direct only the result of the **work** and not the means and methods of accomplishing the result. If this is the case, then they should be considered independent contractors.

If you are still unsure, I've outlined some questions for you to ask yourself. If you answer "yes" to any of the questions below, then they are probably independent contractors.

1. Do they--rather than the **employer**--determine how the job is to be performed?
2. Are they paid by the job or project rather than an hourly wage or salary?
3. Are their services offered to the public and not just to one particular person, boss or business?
4. Do they use their own tools and equipment?

5. Do they determine the number of hours worked?

6. Do they have a contract stating that they will be paid as an independent contractor?

If the answer was "no" to the majority of these questions than you will want to ask yourself these questions:

1. Do they have set hours of work?

2. Are they paid in regular amounts at set intervals, such as an hourly wage, weekly salary, etc.?

3. Do they work at your workplace or **home**?

4. Can they be fired?

5. Do they receive training from you?

6. Do they have to follow specific instructions about how the work is to be done?

If you answered "yes" to the majority of the questions in this set, they are likely classified as an "employee."

I hope this information clarifies the confusion. Let me know if you have any additional questions.

Ryan Himmel, CPA and registered securities analyst, is the founder and CEO of BIDaWIZ.com, an online reverse auction marketplace where business owners and consumers alike can obtain trusted answers to finance and [tax questions](#) from licensed business professionals. Contact Ryan at ryan@bidawiz.com or on Twitter [@BIDaWIZ](https://twitter.com/BIDaWIZ)