SEDILLO AND ASSOCIATES, LLC

Tax Times

OCTOBER 2025

Employee or Independent Contractor, What Are the Tax Implications?

Whether a worker is an employee or an independent contractor depends on the relationship between the worker and the business.

When a worker is classified as an employee, the employer must withhold income taxes as well as Social Security and Medicare taxes from the employee's paycheck. The employee and the employer each contribute a percentage of the worker's wages to pay Social Security and Medicare taxes (more commonly referred to as Federal Insurance Contributions Act (FICA) taxes). The employer must also pay unemployment taxes under the Federal Unemployment Tax Act (FUTA) on the employee's wages. When a worker is classified as an independent contractor, the worker is responsible for paying income tax and the entire contribution for Social Security and Medicare taxes.

A business does not generally have to withhold or pay any federal taxes on payments made to independent contractors.

How to Determine an Employee or Independent Contractor?

The IRS has created **Publication 15-A**, Employer's Supplemental Tax Guide, to assist in making this determination. Section 2 says that *the amount of control that a business exhibits over a worker's behavior and finances, as well as the type or relationship that exists between the parties, are factors that need to be examined to determine if there is an employer/employee relationship.*

Workers who believe they have been improperly classified generally must receive a determination of worker status from the IRS by completing and submitting Form SS-8, Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding.

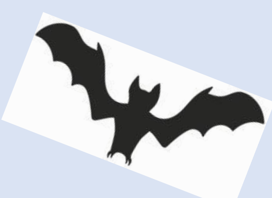
Workers that were treated as independent contractors but should have been treated as employees use **Form 8919, Uncollected Social Security and Medicare Tax on Wages**, to figure and report their share of uncollected Social Security and Medicare taxes due on their compensation.

Prior to Receiving Income

Independent contractors are often required to complete **Form W-9, Request for Taxpayer Identification Number and Certification.**

Employees complete Form **W-4, Employee's Withholding Certificate**, so their employer can determine how much federal income tax to withhold from their wages.

Our office will be closed Monday, October 13th, for Columbus /Indigenous Peoples' Day.



Federal Tax Reporting Requirements

Workers that are considered independent contractors for tax purposes will be regarded as self-employed and may receive a Form 1099 reporting their income. Being self-employed generally requires the following actions, among others:

- File a Schedule C (Form 1040), Profit or Loss from Business (Sole Proprietorship), with Form 1040 to determine taxable income;
- File a Schedule E (Form 1040), Supplemental Income and Loss, with Form 1040 to determine taxable income;
- Document and track all expenses incurred in generating income;
- File a Schedule SE (Form 1040), Self-Employment Tax, with Form 1040 to determine the amount of self-employment tax (Social Security and Medicare taxes); and
- Calculate and remit estimated tax payments on a quarterly basis.

Estimated Tax Payments

Estimated Tax is the method used to pay income, Social Security, and Medicare taxes for workers who do not have an employer withholding these taxes for them. Form 1040-ES, Estimated Tax for Individuals, is used to figure these taxes.

Individuals generally must make estimated tax payments if they expect to owe tax of $1,000 or more when their return is filed.

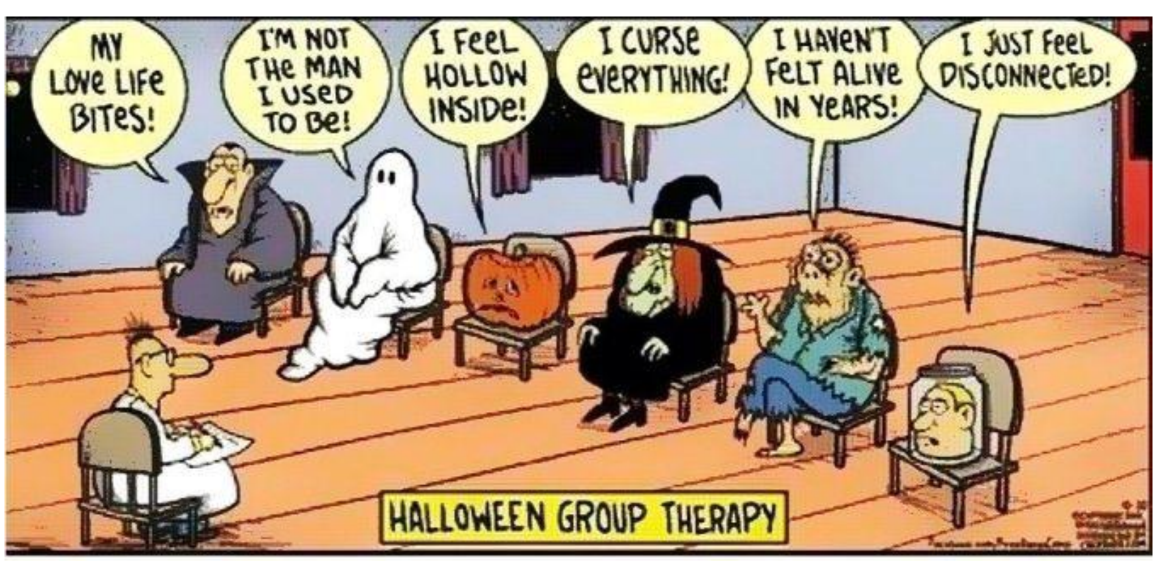
If workers don't pay enough tax throughout the year, either through withholding or by making estimated tax payments, they may have to pay a penalty for underpayment of estimated tax.

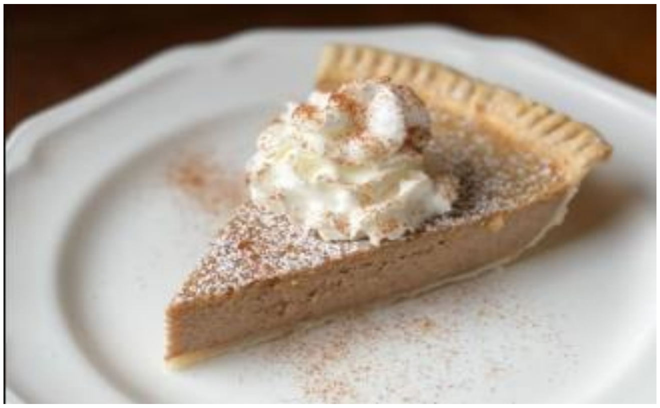
See the Estimated Taxes page for more information. The Self-Employment Tax page has more information on Social Security and Medicare taxes.

Consequences of Misclassification

Misclassification of employees as independent contractors can expose business to various negative consequences under federal tax law, federal labor law, and state and local law, including:

- Paying back taxes for misclassified employees plus interest;
- Potential fines and penalties;
- Retroactively paying any unpaid wage or overtime and providing any benefits owed; and
- Damage to business reputation.





Easy Cinnamon Pie

Ingredients

- 8 ounces of cream cheese softened
- 1 cup of brown sugar
- 3 eggs
- 1 1/4 cups of half and half cream
- 1/4 cup all-purpose flour
- 3 1/2 teaspoons of ground cinnamon
- 2 teaspoons of vanilla extract
- 1/2 teaspoon of allspice
- 1 unbaked 9-inch pie crust
- powdered sugar optional

Instructions

1. Preheat oven to 350 degrees. Cream together brown sugar and cream cheese until well mixed (about 3 minutes, should be fluffy). Scrape the bowl and then add eggs and mix again.
2. Next add in the cream, flour, cinnamon, vanilla, and allspice. Continue to mix until it is smooth. It will be runny. Pour into the pie shell (it may fill the shell but this pie isn't going to rise, it's the consistency of a pumpkin pie).
3. Bake for 38-40 minutes until the center is set. Take it out, let it completely cool and then chill for several hours.
4. Sprinkle it with powdered sugar before serving. We love it topped with whipped cream and sprinkled with more cinnamon.

Prep Time: 10 Minutes   Cook Time: 40 Minutes

https://thesouthernladycooks.com/easy-cinnamon-pie/#recipe

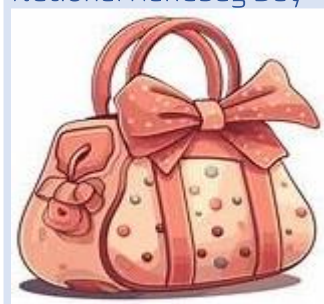
OCTOBER 2025

OCT 1
National Raccoon Day

OCT 4
National Cinnamon Roll Day

OCT 7
World Cotton Day

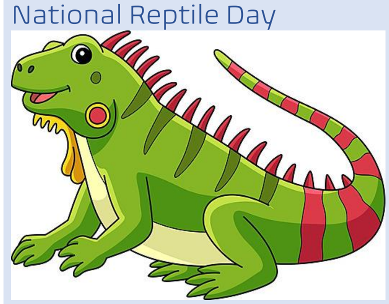
OCT 10
National Handbag Day



OCT 13
National M&M Day

OCT 17
National Pasta Day

OCT 21
National Reptile Day



OCT 23
Nat'l Boston Cream Pie Day

OCT 24
Global Champagne Day

OCT 27
National Mentoring Day

OCT 29
National Internet Day

OCT 31
Girl Scount Founder's Day

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FORMS OF PAYMENT NOW ACCEPTED:

- VISA
- MASTERCARD
- AMERICAN EXPRESS
- DISCOVER CARD
- ZELLE
- CASH
- PERSONAL CHECK

Halloween Candy

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We Love Referrals!