Perhaps you are a small business owner, and you have just hired an independent contractor to help you with accounting or website design. Or perhaps you have started your own consulting business, using your creative skills to develop marketing materials for various clients. In either case, both of you—the hiring firm and the person doing the work—are in good company. According to the Bureau of Labor Statistics, more than 10 million American workers are independent contractors (ICs), comprising 7.4% of the entire workforce. ICs do every conceivable type of work: 20.5% are in executive, administrative, and managerial positions; 18.9% perform precision production, craft, and repair jobs; 18.5% do professional specialty jobs; and 17.3% are in sales.

The independent contractor relationship gives everyone a great deal of flexibility, far more than employers and employees have. ICs can work on single projects, on a short-term basis, or even long-term as needed. ICs are free to set their own rates and schedules, along with the way in which they do their jobs. Because IC arrangements are so flexible, however, it is in everyone’s best interest to agree at the beginning about what the IC is being hired to do. A proper IC agreement protects the rights of all concerned.

The agreements in this book, which can be prepared by the independent contractor or the hiring firm or business, make clear what is expected of both sides. The agreements cover crucial issues such as the services the IC will provide, the deadlines the IC will meet, when the IC will be paid, and how either side can change or end the agreement. The agreements address all the important areas of each IC relationship to help avoid problems down the road.

Having a clear set of expectations will not only help ensure that the working relationship functions smoothly—it may also help the hiring firm if you need to prove to a government agency that your relationship is truly that of hiring firm/independent contractor, and not employer/employee. Here’s how that challenge might come up: As you may know, one major advantage of the IC relationship is that hiring firms do not have to withhold or pay taxes for ICs as they do for employees. But because the government receives more funds when employers pay taxes on their employees’ earnings, government agencies have a strong incentive to classify workers as employees. If the IRS, a state tax agency, or other state body concerned with employee welfare (such as workers’ compensation agencies) believes that you should have been treating the worker as an employee instead of an IC, you’ll need to be prepared to prove that the IC is truly independent and not an employee. A written IC agreement that you follow is the best way to prove that you have entered into an independent contractor relationship.

This book provides you with all of the information needed by the hiring firm or the contractor to draft an IC agreement for the type of IC involved, including:

- workers providing household services
- salespeople
- accountants and bookkeepers
- software consultants
- creative contractors
- construction contractors
- messengers, couriers, and delivery people, and
- workers providing other services.
Giving you a place to record your mutual expectations, and staying within the good graces of the IRS and other government agencies, aren’t the only goals of these agreements. The agreements also help to preserve the confidentiality of the hiring firm’s private information. In addition, where the IC creates “intellectual property”—such as an instruction manual, a piece of artwork, or advertising copy—you’ll learn how to specify in the agreement who will become the owner of that property. Each agreement allows you to choose whether the rights or duties in the IC agreement can be assigned or delegated to other people. Finally, the agreements allow you to determine how you want to deal with any disputes that do arise—through mediation, arbitration, or in court.