

Managing Subcontractor Internal Revenue Risks

Accounts Payable is more than paying an invoice



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Subcontractor Internal Revenue Service (IRS) Payable Requirements

Payroll and tax liability works long after an installation project is complete and a subcontractor is paid.

W9 requirements - If you've hired an independent contractor to complete your installation, you'll need to make sure they complete a Form W-9. This form will have a Taxpayer Identification Number (TIN), and should be kept on file for four years. If the independent contractor or someone from the IRS has questions about payroll or taxes, this will have the info you'll need to start with.

1099- MISC Filings - Have you paid your subcontracted employee more than \$600 for the services they provided to you? If so, a [Form 1099-MISC](#) will need to be filed. After the form is completed, make a copy of it. File one away for yourself and give one to your subcontractor. You have until January 31 of the following year to provide this form to both the IRS and the subcontractor.

Form 668-W - Companies whose 1099 subcontractors have outstanding taxes will receive a Form 668-W from the federal government and will have to first respond to the notice, then manage their pay/wages to be paid to the IRS. By law your company will have to respond to notice even if no future wages to be paid, potentially for future years.

IRS Definition of Employee / Subcontractor - is your company responsible for withholding and paying taxes or is your subcontractor responsible? Although there isn't a single factor that determines if your worker is an employee or a subcontractor, the IRS notes that the courts categorize the factors three ways:

1. **Behavioral Control** - If your company trains the subcontractor and controls and directs how the work gets done, this is behavioral control. The worker you train and instruct is considered an employee. An easy way to know the difference: Subcontractors come in with prior knowledge and don't need to be trained. Independent contractors also might come in with their own equipment and tools.
2. **Financial Control** - If your company can control the economic aspects of what's being done, i.e. expenses, significant investment or opportunities for profits or losses, this would mean you have financial control.
3. **Relationship of the parties** - Based on documentation such as employee benefits and written contracts, you'll be able to determine the relationship of the parties. This is simply how you and whomever you've hired, view your working relationship.

Form SS-8 - Because it can still be confusing, the IRS can help you decide . Simply fill out, or have your subcontractor fill out, a [Form SS-8](#). Once it's received by your local IRS office, they'll make the decision for you.

What you can do

A good way to ensure you're hiring a subcontractor, not an employee, is to create and document a process for your company to reference, fully understand the IRS forms W-9, 1099-MISC, Form 668-W and SS-8 required to outsource work to subcontractors and ask your subcontractor to provide financials showing they are current on tax filings and payments.

Conclusion

Structured cabling & LAN installations demand effective project management that goes far beyond installation services.

Navigating the complexities of a structured cabling installation require more than just knowledge of Layer 1 connectivity and building codes. Coordinating the efforts of multiple teams, staying within budget, and sticking to a schedule requires careful planning and clear communication. Overlooking these intricacies is a mistake those new to the world of structured cabling are more prone to make. By implementing the techniques we have reviewed here, project managers can make themselves better prepared to successfully lead a LAN project.

Nationwide SCS, Inc has installed 1000's of LAN cabling projects for our customers. We are continuously learning and adjusting to make our process better based on lessons we learn each day. If your company wants to save valuable time, avoid frustration and get an immediate ROI on LAN cabling installations using our expertise please [contact me](#).

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