

AHERN ADVISORY - SPECIAL ALERT

IRS Continues Targeting The Use of Independent Contractors

Last year, I wrote a series of articles indicating that the IRS was cracking down on independent contractors. I stated that IRS was stepping up their efforts to make sure that tax payers were “paying up”. These efforts continue to escalate as the Federal Budget Deficit soars.

In numerous articles, I indicated;

- Be prepared!
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In one of my articles, I recommended that you have your independent contractor agreement reviewed by a competent law firm that specializes in transportation. I received a substantial amount of interest and comments from numerous readers, and then the flurry of concerns subsided.

During the year, I kept stating that you need to be prepared for the inevitable. If you understand the inner workings of the independent contractor dilemma, you should understand that;

1. IRS is initially auditing small trucking companies that utilize independent contractors to build up “case” law, and;
2. When they build up sufficient case law, then they’re going to attack larger carriers.

Over the last several weeks, I’ve received at least 7 different telephone calls indicating that, either IRS and/or the State Department of Revenue, has cited them for violations.

If you are not prepared, this could be the end of your business. Don’t think that you’re “bullet proof”, because you’re not. In 2009, there were 72 bills in the state legislatures that dealt specifically with independent contractors and workers compensation. Once the audit process starts, it does not end; it has a “snowball” affect. For example;

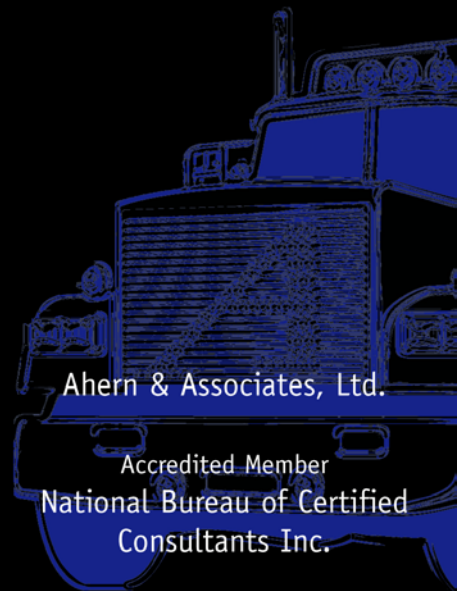
- If you are audited by the Employment Security Department of your state, and;
- They deem that your independent contractors are employees;
- They will immediately assess interest and penalties, and;
- Demand payment, immediately – that’s step 1.

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Step 2; your insurance carrier may then audit you business, (I believe for 3 years), and demand workers compensation premiums because the independent contractors are employees, and then;

Step 3; if Internal Revenue is apprised of the audit findings of your state, they're going to take another "bite of the apple".

In closing, don't close your eyes to this serious problem. These types of audits are taking place on a daily basis, and if you're not properly prepared, it could cause the financial demise of your business. There are many things you can do to distance yourself from this exposure, and also have a profitable business. **First and foremost have your independent contractor agreement reviewed by a competent transportation attorney!**

I've stated, numerous times, that the trucking industry is as Middle America as you can get. It's made up of many hard working men and women that are raising families. The independent contractor has, historically, been a part of the free enterprise system and a very important part of the transportation industry. **However, the financial pressures of government debt are changing our landscape;** what used to be acceptable is not longer the rule: so sayeth the government.

The issues are changing, on a daily basis, and you need to be prepared if you want to survive.

QUOTE OF THE WEEK:

"Don't overlook the little things, they are important. Take care of the details". (Dan Reeves)