Step 1: Defining Independent Contract Work

Independent contract work is not employment; it is an arrangement to provide a time-bound service or completed project. A client or organization can request what the result of the service would look like, but the independent contractor determines the terms and conditions for providing that service.

How the IRS defines an independent contractor:
"An individual is an independent contractor if the payer has the right to control or direct only the result of the work and not what will be done and how it will be done."

Step 2: Determining Service Offerings

There are many different kinds of contract work. Examples include website design, book editing, market research, and tutoring services. Consider what skills and expertise you have to determine what kinds of contract work you can offer a particular employer. If there is a specific organization with whom you’d like to partner, consider writing a project proposal concerning a service you can provide to enhance their work. If you’d like to establish yourself as an independent contractor for a wide range of clients, you will likely want to build a website that advertises the kinds of services you can provide.

Establishing an official business:
You cannot have a C corporation (as in LLC) but you can apply for an S corporation down the road.
Step 3: Establishing Relationship & Work Expectations

Make a contract:

1. **Define the terms of engagement** so both sides are clear on the nature of the relationship and the party’s expectations.

2. **Clearly define the work’s scope and deliverables**, including a breakdown of specific tasks, costs, and timeframe for the project (e.g. delivery date of the expected time of completion). These details are required to ensure compliance with IRS requirements for independent contractor work.

3. **Fill out a W-9 Form** (instead of an I-9) and give this to the business, organization, or individual for whom you will do the contracted work (the client).

4. **Request a 1099 Form** which will be mailed to you by the contracting organization at the start of tax season.

**Key Guideline:**
Makes sure the contract explicitly states or demonstrates that it is an independent contractor agreement, **not an employment contract**.

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<th>Examples of Contracts</th>
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<tr>
<td>eForms</td>
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<td>The University of California, Berkeley School of Law</td>
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<td>U.S. Securities and Exchange Commission</td>
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Step 4: Completing the Task

Based on what you established from the initial contract, carry out this service making sure that you and the client/organization are clear on what the **expectations of this project** will look like.

Circumstances can change as you undergo the work, so be sure to proactively **communicate and adapt** based upon unexpected challenges or delays outside of your control. Regular communication with updates to the client is key!
Step 5: Closing out the Contract

Once you have completed the service or final project, ensure that you provide and keep adequate documentation for payment and completion of the project.

- Create and submit a detailed invoice to your client. Invoices should include:
  - Date of issue
  - Invoice number (for your records)
  - Itemized services/aspects of the project with associated fees
  - Total amount due
  - Payment deadline

Step 6: Ensuring IRS & Tax Compliance

The IRS will be looking to make sure that this does not count as an employee-to-employer relationship. Ensure compliance with independent contractor eligibility by:

- Creating a contract agreement that includes a breakdown of project steps and associated timeframes for completed work.
- Completing required government forms for independent contractors.
- Paying annual taxes for your completed independent contract work each year.
  - On your taxes, you will have to fill out Schedule C.
  - Paying self-employment taxes.

Additional Resources to guide you further:

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<th>Basic Facts About Entrepreneurship</th>
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<tr>
<td>The Welcoming Center</td>
<td>Independent Contractor Brainstorming Worksheet</td>
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