

# Independent Contractor vs. Employee

**Test:** Is the person performing services as a person in business on his or her own account?

## Why does it matter?

Mischaracterizing the nature of an employment relationship can have adverse financial impacts on business, including potential liabilities for:

- Unremitted source deductions
- Back pay and penalties for violating employment standards
- Potential claims for wrongful dismissal damages and worker's compensation

The courts apply a **two-step process** to determine if a person is an independent contractor.

