



## EMPLOYEES

All employees are responsible to the Corporation Board. The Corporation Board, through a committee of representatives of the Corporation Board, Advisory Board and collegiate Chapter, directs the interviewing and hiring of the House Director. Other employees are also the responsibility of the Corporation Board, but are usually hired and supervised by the House Director. Cooks, maids, maintenance workers, meal servers/kitchen helpers usually report directly to the House Director and she keeps a record of hours worked. The Corporation Board Treasurer collects this information from the House Director, keeps official salary records, issues pay checks, etc. (See Guidelines for Employee Records, following and Duties of the Corporation Board Treasurer elsewhere in this Handbook.)

The Corporation Board prescribes the duties and establishes the compensation of all employees. Wages for all employees are determined by the Corporation Board.

It is recommended that contracts for employees other than the House Director not be used. Any employment contract should contain the following:

1. Beginning and ending dates of employment
2. Days/hours of week employee is expected to work
3. Amount and method of compensation
4. Any special privileges – meals, laundry, etc.
5. Provision for termination of contract by employer and/or employee
6. Simple, short job description

### **Guidelines for Keeping Employee Records**

A separate file for each employee must be kept and should include the name, address, social security number, number of dependents for withholding or a copy of the W-4, job title and pay rate (may or may not include an allowance for meals). A weekly, biweekly or monthly record of hours worked, compensation (with date and check number) and other information needed for tax purposes are essential. Forms for salary record-keeping are available at most business supply stores. In addition, an IRS Form W-4 and INS Form I-9 are required.

The House Director's compensation is reported in full and state and federal tax is withheld from salary paid. Income tax need not be deducted for any Room and Board allowance given unless required by state law. Tax laws vary greatly and some states designate a set amount for Room and Board that must be considered taxable income. The state tax office, an accountant or the Corporation Coordinator/Corporation Liaison should be consulted to verify tax liability of the Corporation for Room and Board.

The House Director is responsible for keeping the accurate record of hours worked for all employees as well as her own time sheet. These records are then forwarded to the Corporation Board Treasurer at the end of each pay period so checks can be written.

Quarterly payroll tax payments and reports are mandatory. The IRS distributes the Circular E, "Employer's Tax Guide" to employers annually. This publication gives the federal requirements for

Withholding, FICA, and FUTA taxes. Consult this guide each year for changes particularly for amounts that must be withheld from salaries paid.

Additional tax issues are addressed in the Financial Management Section of this Handbook.

### **New Hire Report**

Effective January 1, 1998, all states were required to adopt the Uniform Interstate Family Support Act. As a result, employers must report all newly hired employees to a designated state agency within twenty (20) days of the date of hire. Some states may have established a shorter time frame for reporting. The "Order/Notice of Withhold Income for Child Support" may be used to meet this requirement. Contact your state's Department of Labor or the Corporation's accountant to secure a copy of the form.

### **Independent Contractors**

There is a distinct difference between an employee and an independent contractor. Every Corporation must understand the characteristics of each type of worker to assure compliance with State and Federal laws. The IRS has demonstrated a keen interest in the independent contractor issue. If individuals are performing duties as independent contractors, they should not be reclassified as employees. By doing so, the Corporation may be subject to fines by the IRS. The following guidelines should be used in determining whether an individual would qualify as an independent contractor:

#### An Employee

- Works primarily on the employer's premises during normal business hours
- Is trained by the employer
- Is provided with tools and materials by the employer
- Is reimbursed for expenses
- Has a continuing working relationship with one employer
- Is expected to follow the employer's work instructions
- Must abide by a set of schedule of working hours

#### An Independent Contractor

- Has an independent business license
- Represents himself or herself to the public as an independent contractor, perhaps by advertising his or her services
- Secures his or her own jobs
- Is free to work for whomever he or she chooses
- Sets own hours and work schedule
- Provides own tools and materials for the job
- Has a financial investment in his or her business
- Must negotiate to terminate relationship with employer before the contract is completed

When utilizing the services of an independent contractor, and IRS Form 1099 must be filed at the end of the calendar year recording the compensation paid to the individual. Before any payment is made to the independent contractor, the Board should secure a Form W-9 from him/her including a social security

number or employer identification number. The Board may consider using an agreement to assure all parties understand the nature of the business relationship. A sample is included for consideration.

For the protection of the Corporation, it is imperative that any independent contractor whose services are engaged has purchased adequate coverage and all necessary insurance. Obtain evidence of insurance before hiring any independent contractor. For further information consult your Corporation Coordinator/Corporation Liaison.