Correcting a misclassification before it becomes a major expense.

Background:
While reviewing its independent contractors, a software company discovered an independent contractor who could not legally claim independent status. Without any supporting documentation, the worker filed a simple IRS Form SS-8—a document that companies and potential ICs complete to get a determination from the IRS. In this instance, the worker wanted IC status and to achieve it misrepresented both the structure of the business and the nature of the work he performed. Not seeing the whole picture, the IRS supported his claim and the company was facing misclassification penalties.

The Challenge:
Fearing costly legal bills or retribution from the IRS, most companies simply pay the misclassification penalties. In this case, ZeroChaos found:

- The worker was recommended as a candidate to be engaged through a payrolling service or as an employee of the company.
- The IRS did not verify the information supporting the claim of independence before rendering its determination.
- The worker was sharing his “success story” with other workers and coaching them on how to fill out the Form SS-8.

ZeroChaos Solution:
With our experience and expertise, ZeroChaos isn’t afraid to stand up to government agencies on our customers’ behalf when they’ve made a potentially costly mistake.

- ZeroChaos obtained a copy of the errant determination and initiated an appeal on behalf of our customer.
- ZeroChaos submitted the original statements and supporting documentation provided by the worker to the IRS.

The Results:
- After ZeroChaos clarified the situation with the IRS, the auditor sided with ZeroChaos and reversed their decision.
- The worker received a written copy of the reversal of the initial ruling.