

*From the desk of Jeanne M. Kerkstra, Esq., CPA*

**Viewpoint  
The Staggering Cost of Doing Business**

When an entrepreneur first starts a business, the focus is only on delivering a top-notch product in a timely fashion and keeping one's head above water financially. When you're lucky enough to have a financial success on your hands, you're burdened with the administrative headaches and costs. Growth is definitely a dual-edged sword: it's good for business but makes it more difficult to monitor both work to be done to pay the bills and worker issues. However, lack of monitoring or inadequate monitoring can lead to very costly legal matters for companies in all industries.

Recently spotlighted in Crain's Chicago Business was the perceived epidemic of construction firms allegedly classifying workers as independent contractors when in reality they were employees. The difference in this classification has a tremendous impact on a company's bottom line. Companies are not responsible for employment taxes (and the many related items such as overtime and unemployment insurance coverage) for independent contractors as they are for employees.

It is necessary to understand that although your workers may be independent contractors for some governmental entities, such as the IRS, they indeed may be employees for others, such as the IDES<sup>1</sup>.

Recently, the U.S. Department of Labor reached a settlement with a Las Vegas plastering and masonry company under which the company, Desert Plastering, agreed to pay over \$1,100,000 in back wages to over 1,000 current and former employees. As employees, they were entitled to receive over-time pay, which they had not. The U.S. Department of Labor found that Desert Plastering failed to maintain accurate time and payroll records.

All it takes is one call to a governmental taxing body such as the IRS, IDOR or IDES to trigger a very costly audit, hi these economic times, it is even more important that companies take a proactive approach and regularly evaluate their employment practices, including records and classifications.

Our employment attorneys can independently with fresh eyes and in an unbiased fashion give your company an evaluation of its employment practices. We can build on your strengths and help you rectify your deficiencies. Give me a call before a disgruntled worker makes a call.

<sup>1</sup>  
Illinois Department of Employment Security

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