

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

**Viewpoint
Who's In Your Pocket?**

Employment tax is by far one of the most heated topics currently. It has a dramatic impact on a company's bottom line whether a worker is an employee or an independent contractor. To complicate matters, a worker may be classified as an independent contractor by the IRS and an employee by the Illinois Department of Employment Security ("IDES"). In other words, a worker may be classified differently by federal and state taxing entities.

By its statute, the IDES throws one of the most far-reaching nets. Basically, all workers are employees unless they can prove otherwise, and that's a heavy burden to bear. The IRS in a November 6, 2007 News Release, let us know that the pressure is on. 29 states to date have entered into partnership agreements with the IRS *to share employment tax examination results*. See IRS News Release for its listing of the states.

Even more unnerving is the IRS' current strategy for investigating allegations of employment tax wrongdoing *-pursuing simultaneously civil and criminal prosecution*.

According to Marsha Griffith, director of IRS refund crime field operations and policy, the Criminal Investigations Unit has the highest *conviction rate* in federal law enforcement with 90% of its cases being prosecuted. In fiscal year 2007, the number of cases initiated was up 8% from 2006. *Completed investigations, indictments, convictions, and sentencing were all up in 2007.*

As the federal and state governments' budgets bleed more, they will seek ways to increase tax revenues by closing perceived loopholes. *If the IRS opens an investigation into your and/or your Company's employment tax practices, you are facing possible civil and criminal penalties and jail time.*

We bring definition to the gray areas. The IRS is partnering with the states. Let us be your legal partner regarding employment tax matters. Give me a call.

<p>Jeanne M. Kerkstra, Esq., CPA KERKSTRA LAW OFFICES LLC 53 W. Jackson Blvd. Suite 1530 Chicago, IL 60604 312.427.0493 312.675.0500 (fax) jmk@kerkstralaw.com</p>	<p>KERKSTRA LAW OFFICES LLC Problem? Solved.®</p> <p>asset protection • estate planning corporate work • business succession planning forensic investigation • litigation and more</p>
---	--

This material is intended for educational purposes only. The conclusions expressed are those of the author and do not necessarily reflect the views of Kerkstra Law Offices LLC. While this material is based on information believed to be reliable, no warranty is given as to its accuracy or completeness. Concepts expressed are current as of the date appearing in this material only and are subject to change without notice.

TAX ADVICE NOTICE: The Internal Revenue Service (IRS) now requires specific formalities before written tax advice can be used to avoid penalties. This communication does not meet such requirements. You cannot contend that IRS penalties do not apply by reason of this communication.

Posted: Archived