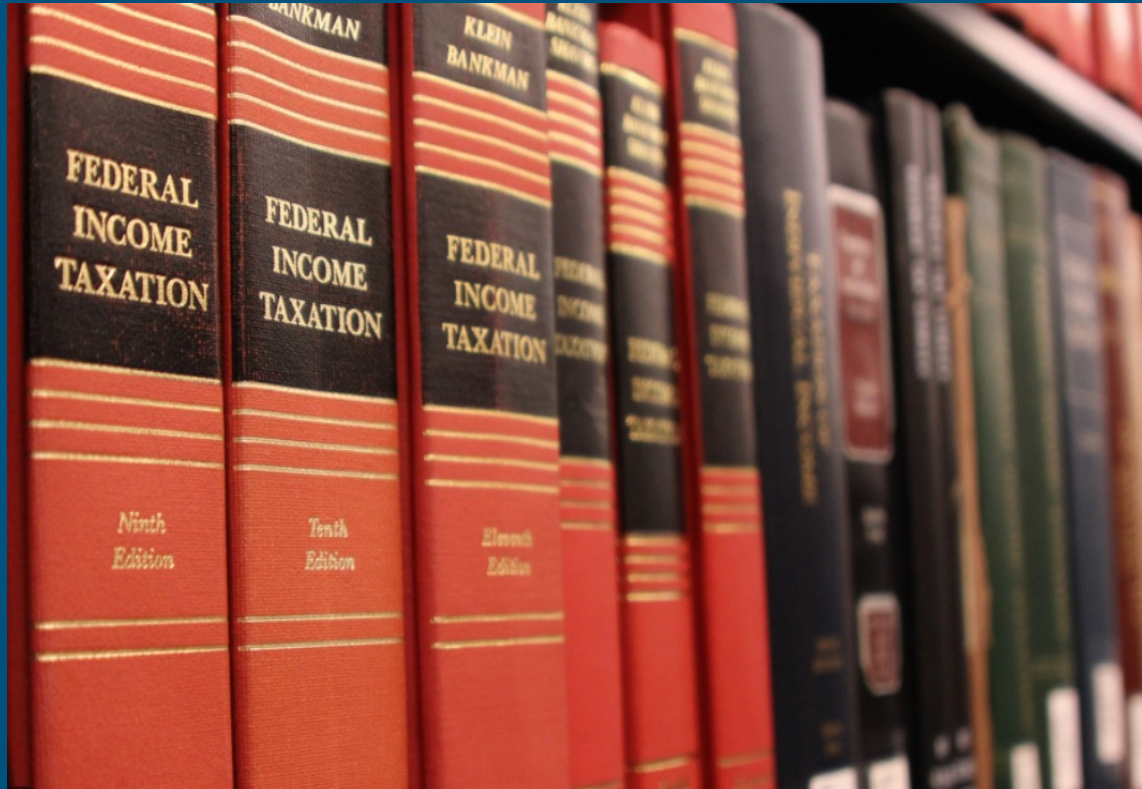

W2, W9, 1040, 1099, Schedule C: The Church Musician in the Gig Economy



Disclaimer

The information presented in this workshop is educational in nature and should not be construed as tax advice applying to any particular situation. You should always consult your tax advisor to fully evaluate any specific situation.

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Terms used
here:

“Hirer” and
“Worker”



People That You Hire: Two Basic Categories

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 - Potential fines of up to \$1,000 per misclassified worker and/or one year of jail

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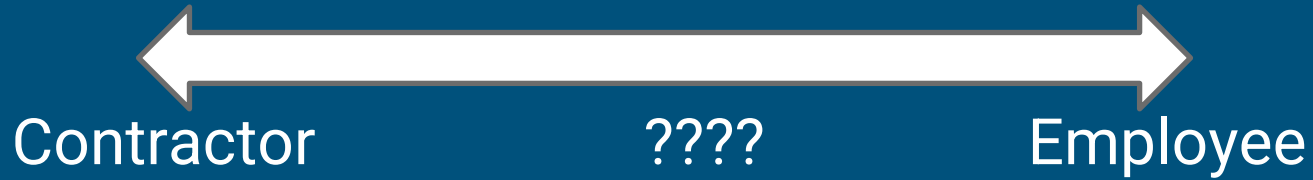
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- Increased IRS enforcement (AB-5; 1099-K)

Ultimately, a Judgment Call

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Guidance derived from common law

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 - Investment in skills and who pays for them;
 - Greater worker investment: *contractor*
 - Could the worker potentially lose money?
 - More risk of loss: *contractor*
 - Method and timing of payment
 - Ad hoc/infrequent: *contractor*

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- See [IRS.Gov](https://www.irs.gov) for a discussion of these factors

Advantages for Hirer: Employee Status

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- Responsibilities and relationships are clear

Advantages for Hirer: Contractor Status

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- Much less recordkeeping;

Advantages for Hirer: Contractor Status

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- Fewer expenses/costs are clear and determinable

Disadvantages for Hirer: Contractor Status

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- 1099 Reporting;

Disadvantages for Hirer: Contractor Status

- 1099 Reporting;
- Potentially riskier position

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 - Time records, onboarding;
 - Payroll tax returns

Conclusion

- All things being equal hirers will often lean toward a contractor status

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- More rights and potential benefits as a worker

Disadvantages for Worker: Contractor Status

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Disadvantages for Worker: Contractor Status

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- Greater responsibility for recordkeeping;
- Filing a Schedule C (tax preparation costs)

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 - Mileage;
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 - Other related professional expenses
- QBID deduction (20%, expires 2025)

Famous Tax Court Cases: Musicians

- *Bartels v. Birmingham*

- Supreme Court Case (1947);
- Question: Who is hiring whom?
- "Name bands" hired ad hoc by a dance hall;
- Contract: "Band members are employees of the dance hall and not the leader";
- Ruling: Band members are employees of the orchestra leader under the concept of control.

Famous Tax Court Cases: Musicians

- *Gullion v. IRS Commissioner (2013)*

- Guillion, a musician, had little income (\$2,300 and large expenses-\$23,000 for the two years under audit)
- Had only shown a profit for one year out of 10;
- IRS claimed his jazz endeavors constituted a hobby;
- Is this a “trade or business”? Court said yes.

Ethical Questions

- *Workers treated by hirers as contractors when they should be employees;*
- *Contract workers who don't claim all their income*

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- Decisions should be revisited from time to time