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IRS Poised to Audit Businesses for Worker Misclassification and Unpaid Payroll Taxes

As business audits increase—and the IRS cracks down on worker status—it is critical for business owners to know their rights to avoid costly [employment tax audits](#) and protect the future of their companies.

Encino, CA—The Jan. 31 deadline for filing Form 1099s for independent contractors is around the corner. A major target on the IRS hit list is worker status.

Why would the IRS care how a business owner classifies workers? Because the tax burden on the owner changes dramatically depending on how a worker is classified. The IRS is on the lookout for worker misclassification—it doesn't matter if it is deliberate or inadvertent—to capture all [past due employment taxes](#) owed.

Business owners must withhold and pay Social Security and Medicare taxes, income taxes and [unemployment taxes](#) on wages paid for employees. Independent contractors shoulder these taxes themselves, and employers must send them Form 1099 to declare their wages.

“It can be tempting for an employer to save money by classifying employees as independent contractors,” said Michael Rozbruch, founder and CEO of Tax Resolution Services, Co. (TRS), and Inc. 5000 company. “It is also tempting, in this tough economy, for workers to agree to be classified as independent contractors and take the financial hit just to have a job. And then, some business owners may just be unclear on the law.”

According to Rozbruch, when a business is audited, the IRS looks to the totality of a worker's relationship with the business, including but not limited to the control the company has on the worker, who supplies the tools and materials for the job, and whether expenses are reimbursed.

“The IRS assigns a much higher priority to collecting delinquent payroll taxes than income taxes,” Rozbruch said. “If you [owe back taxes](#) on delinquent payroll taxes, it is important to seek out the advice of an expert Certified Tax Resolution Specialist or qualified tax attorney to resolve payroll tax debt problems swiftly to protect the future of your company.”

For more information, on worker misclassification and how it is determined by the IRS, visit <http://www.taxresolution.com/IRS-worker-misclassification-audits.asp>

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