



Rogue Community College

Small Business Development Center
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BEING AN EMPLOYER IN THE ROGUE VALLEY

ALTERNATIVES TO HIRING:

EMPLOYMENT AGENCIES: Did you know that you can utilize the services of an employment agency and save yourself the headache of employment costs and government regulations? Using them for temporary or permanent help. Many small business owners, who would otherwise be unable to afford to hire an employee, have been able to do so in this manner. Employment agencies charge a small service fee, over and above the wage you are offering the employee. This service fee is based upon workers compensation costs, but is minimal when compared to the alternatives. In many instances you may be able to have the employee you have in mind register through the employment agency so they can work for you. You can use the employee as long as you wish. Check your telephone book for new listings or for listings in other areas.

INDEPENDENT CONTRACTORS: There are guidelines established to determine the legal definition of an independent contractor (see appendix.) Don't fall into the trap of thinking that just because you have someone sign a paper agreeing to be responsible for their own taxes that they are, in fact, an independent contractor. Independent contractors are in business for themselves, should have business cards, and solicit work from others. There are 20 IRS guidelines for determining an independent contractor. ORS 670.600 provides Oregon's guidelines. Both are included in this material. Study these carefully and avoid future major problems.

HIRING THE EMPLOYEE:

Federal Forms are available at: <http://irs.gov> State Forms are available at:
<http://www.oregon.gov/dor>

1. **FEDERAL REGISTRATION:** The SS-4 form is your application for a Federal Employer's identification number for payments of Federal income tax withholding,



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Social Security, and federal unemployment tax. 1-800-816-2065; (503) 221-3960; or write the Internal Revenue Service, 1220 SW 3rd Avenue, Portland, OR 97204. <http://www.irs.gov/smallbiz>. Oregon forms may be faxed to (215) 516-3990. To access forms on line: <http://businesslaw.gov>

You must have a W-4 form must be on file for each employee. This will tell you how much withholding tax to withhold. You must prepare a W-2 form at the end of each year summarizing all withholding.

2. **STATE COMBINED EMPLOYER'S REGISTRATION REPORT:** Required before issuing any Oregon paycheck. Employers need to apply to the State Revenue Department for guidance in implementing such requirements as workers' compensation, unemployment insurance, and transit taxes (503) 378-3390. This one form registers your business for State income tax withholding and State unemployment taxes. You may write for this information by contacting: Oregon Department of Revenue, PO Box 14800, Salem, OR 97309-0920. Call (503) 378-4988 for general information or (503) 945-8091 for help with form completion. For information on unemployment taxes contact: Oregon Department of Employment, 875 Union Street NE, Salem, OR 97310, (503) 378-3524 or 1-800-624-7908. Or visit www.oregon.gov/dor
3. **WORKER'S COMPENSATION INSURANCE:** This will probably be your largest expense, but don't yield to the dangerous temptation to just "forget it". The penalties for not having worker's compensation (or for not following all employment laws) are stiff.

You are required to purchase this insurance for each employee from any qualified insurance company or to be self-insured under state law. Rates are a set fee per day plus a premium set by the risk category of your type of business. Contractors doing business as a partnership are required to carry workers compensation insurance on each other. Contact your local business insurance agent for rates.

Workers Compensation Dept.
625 Franquette #B
Medford, OR 97501
776-6032
or
PO Box 14480
Salem, OR 97309-0405
(210 Labor & Industries Building
350 Winter Street NE)
(503) 945-7888

4. **OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION (OSHA):** Determine job safety and health regulations for your business or industry

operations. Contact: Accident Prevention division of Workmen's Compensation Board, Labor and Industries Building, Salem, OR 97310. 378-3274, or contact the Medford field office at (541) 776-6030.

5. A **FIRST AID KIT** is required at all job sites. Check with the Workers Compensation Department or the SBDC for a listing of mandated items.
6. **IMMIGRATION REFORM LAW:** It is the employer's responsibility to verify an individual's right to employment in the United States. Citizenship **MUST BE VERIFIED** and documented in the employee's file. For further information write or phone: U.S. Citizenship and Immigration Services, Regulatory Management Division, 511 NW Broadway, Portland, OR 97227. (503) 326-3409. Web site for forms: <http://www.uscis.gov>
7. **WAGE AND HOUR/CIVIL RIGHTS:** Two publications of the Oregon Bureau of Labor and Industries are a must for all employers: "A Handbook of Oregon Wage and Hour Laws" and "A Handbook of Oregon Civil Rights Laws." These may be obtained from the Bureau of Labor and Industries, 800 NE Oregon St. #32, Portland, OR 97232. (503) 731-4073. These valuable publications could save you major problems in the long run. The minimum wage for Oregon is \$7.95 per hour, as of January 1, 2008. Oregon law requires the minimum wage rate be adjusted annually for inflation by September 30 of each year for the following calendar year. For current information go to: www.oregon.gov/boli
8. **EMPLOYEES UNDER 18 YEAR OLD:** Work permits are no longer required for employees between the ages of 14 and 18. however, annual reports must be filed with the State Bureau of Labor and Industries. To register with the Bureau, you may contact the Medford Field Office at 700 E Main #105, Medford, OR 97504, (541) 776-6270.
9. **DEADBEAT-PARENT & EMPLOYER OBLIGATIONS:** One of the most recent legislation affecting employers is a new deadbeat-parent search program which requires all employers (small employers and households are not exempt) to report new hires to a national database and then garnishee wages of those who owe child support. Employers can be liable for errors. Contact the Department of Revenue (see item 2.)
10. **BUSINESS INFORMATION CENTER:** The Oregon Business Referral Center offers a useful booklet, "Oregon Business Guide", with complete information on hiring an employee. Go online to <http://www.filinginoregon.com> to download a copy.
11. **FOR MORE INFORMATION ON HIRING EMPLOYEES:** contact the Oregon Employment Department 474-3161 (Grants Pass) or 776-6060 (Medford); State Economic Development Department; and your accountant, CPA, and/or attorney.

12. **Bureau of Labor and Industry (BOLI) Publications.** Wise employers keep on hand the various publications BOLI offers, especially “A Handbook of Oregon Wage & Hour Laws” and “A Handbook of Oregon’s Civil Rights Laws.” Visit their web site at <http://www.oregon.gov/BOLI> for ordering details. Technical assistance for employers may be obtained by calling (503) 731-4073.
13. **OREGON BUSINESS GUIDE:** Please see the Oregon Business guide for complete information on payroll taxes and required postings. You may receive your free copy from the RCC SBDC.

Using Subcontractors:

If you use subcontractors, the IRS has guidelines with which you must abide to ensure those you use to work with you are not your employees. They are:

Independent Contractor Test

Employers who classify workers as independent contractors should carefully examine the 20 common-law rules used to determine proper worker classification. The IRS views "yes" answers to the following 20 questions as evidence of an employer/employee relationship. There are always minor exceptions. Contact your local IRS or Department of Employment for clarification.

Do you provide the worker with instructions on when, where and how work is performed?

Did you train the worker in order to have the job performed correctly?

Are the worker's services a vital part of your company's operations?

Is the person prevented from delegating work to others?

Is the worker prohibited from hiring, supervising, and paying assistants?

Does the worker perform services for you on a regular and continuous basis?

Do you set the hours of service for the worker?

Does the person work full time for your company?

Does the worker perform duties on your company's premises?

Do you control the order and sequence of the work performed?

Do you require workers to submit oral or written reports?

Do you pay the worker by the hour, week, or month?

Do you pay for the worker's business travel expenses?

Do you furnish tools or equipment for the worker?

Does the worker lack a "significant investment" in tools, equipment, and facilities?

Is the worker insulated from suffering a loss as a result of the activities performed for your company?

Does the worker perform services solely for you firm?

Does the worker not make services available to the general public?

Do you have the right to discharge the worker at will?

Can the worker end the relationship without incurring any liability?

Based on IRS Revenue Ruling 87-41