

# J Leif Jensen and Associates

**November 2019**

Solutions Based Consulting & Certified Public Accounting Firm



We wish you all a Happy Thanksgiving!

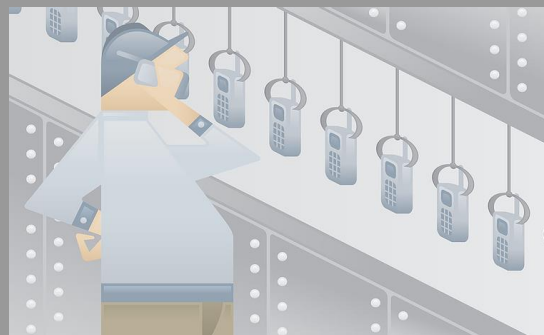
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## Independent Contractor

Being an independent contractor versus an employee... what does this mean to you as the employer or you as the employee?

This tax season we picked up a new tax client. This person is apparently an independent contractor.

Based upon the facts of the case, I disagree. I believe this person to be an



employee and that his employer has him paid as an independent contract to save on the costs of employment.

The client himself has only one client, so he only has a single 1099-M. This company keeps him working just about every day. They provide all of the necessary equipment for him to do his job. But he has to transport the equipment from client site to client site. Then at the end of the day he returns the equipment and the work performed.

To me this sounds like an employee not an independent contractor. I have discussed this situation with my client, he is unwilling to rock the boat, because he needs and likes his job (work). Believing that he would be terminated if he were to challenge his setup. He is probably correct.

So my client pays both sides of FICA as well as income tax on his earnings. He has no real business expenses to deduct on his Schedule C.



## Ides Audit

Did you know that IDES Audits 1% of all business with a payroll each and every year? Did you know that they choose most businesses at random?

Earlier this year I was invited to an event that I have never been a part of before, an IDES audit.

I know that the Illinois Department of Employment Security does audit, but I have never had a client who was audited. Now I have had one.

The client was an unlikely candidate for an IDES audit. They only have one owner on payroll and a part time instructor. The

revenue is in the low six figures and most of the revenue goes to salaries and supplies, about 70% or so.

The client was concerned, why was he being audited. I had no insight for him, since I had never been a party to an IDES audit before. We both went over their books and records and nothing unusual came up.

So on the day of the audit, when we sat down with the auditor, I had to ask why this client was chosen. I was informed that the IDES audits one percent of all Illinois businesses with a payroll each and every year. The audit clients are all picked at random. So my client was under the microscope.

After about 45 minutes of questions and review of documents, my client walked out with no findings and no changes.

In 2019 the IDES maximum income contribution limit is \$12,960; a low threshold to cross, which is why I was perplexed by the chose to audit my client.

## Tax Home

A **tax home** is the general locality of an individual's primary place of work. It is the city or general vicinity where his or her primary place of business or employment is located, regardless of the location of the individual's residence.

Your tax home is not always be where you think it is... It may not be where you live. As a self-employed consultant lived in Ga. found out. He spent his time at his client's offices in N.J. for four days each week.

He deducted his travel to and from N.J. as business expenses on his Schedule C. He argued that, because he was a consultant with no principal place



of business and could complete work at multiple locations, including the airport and his home, his tax home was in Ga., where he resided. But the Tax Court shot that down, saying his tax home was in N.J., in part because all his business income was derived from his N.J. client during the year at issue. The argument would have held up better if he had more than one client.

We had a client with a similar situation, but the state where he lived wanted to tax all of the earned income, because his tax home was in Illinois.

Brown, TC Memo. 2019-30

## Idiom of the Month: Cost an arm and a leg

**Meaning:** extremely expensive

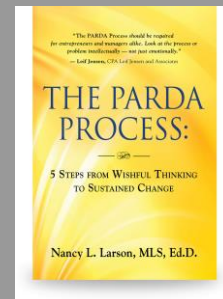
**Origin:** The story goes that this phrase originated from 18th-century paintings, as famous people like George Washington would have their portraits done without certain limbs showing. Having limbs showing is said to have cost more.



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### Client Spotlight: Words Create Change Nancy L. Larson

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