

News from Senator

BOB DOLE



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DOLE SAYS EMPLOYMENT TAX ACT NEEDED TO DECREASE TAX BURDEN ON INDEPENDENT CONTRACTORS

WASHINGTON -- Sen. Bob Dole (R-Kan.), ranking Republican on the Senate Finance Committee, said today that the jobs of thousands of so-called independent contractors will be in jeopardy unless laws are modified to solidify the independent contractor status for tax purposes.

Dole said that included in the groups adversely affected by recent Internal Revenue Service tax procedures governing independent contractors are insurance salesmen, realtors, loggers, direct sellers, home builders, truckers and many more.

Dole spoke before the Senate Finance Committee's subcommittee on taxation and debt management hearing on his Employment Tax Act of 1979, which is designed to clarify the tax status of independent contractors.

"Since the early 1970s, when the IRS launched an aggressive audit campaign of employment taxes and retroactive tax assessments, the independent businessman in this country has been thrust into a chaotic tax situation," he said. "Independent contractors are distinguished from employees for tax purposes by common law, and until a few years ago this common law distinction was widely understood and accepted. But because of changes made by the IRS in its tax treatment of independent contractors, that line between independents and employees has been blurred."

The distinction between the independent contractor and an employee is important because employers do not have to withhold on wages of independent contractors, nor pay Social Security or employment taxes. If the Internal Revenue Service decides to challenge the employment status and prevails, the employer becomes liable for employment taxes that have not been withheld or paid to the Treasury.

"This is a very serious problem," Dole said. "Independent businessmen cannot continue to work under these unfavorable conditions. To help remedy this situation, my bill sets forth five requirements that, if satisfied, would result in a worker being treated as an independent contractor. I believe it is a sound proposal. It means legitimate businessmen and workers will be able to conduct their affairs without undue restrictions or without harassment."

"I am concerned, as any senator is, about tax compliance. However, I do not believe we should enact measures that would eliminate the status of the independent contractors."