

# Rules of the EDD

## (Employment Development Dept)

- 1) Has a separately established occupation or business
- 2) Work is done without supervision
- 3) Possesses the skill to perform the work
- 4) Provide own instruments, tools, place to work
- 5) Services are performed as an isolated event vs. continuous in nature
- 6) Method of payment is by job vs. by the time
- 7) If service provided is a normal part of business vs. outside of expertise
- 8) Intent/belief is that of employee vs. contractor
- 9) Extent of control over manner and means of performing the service\*
- 10) Whether the principal is or is not engaged in a business enterprise vs. convenience as individual

# EDD Wants

- 1) Business license/Marketing yourself
- 2) Titles consistent with type of entity  
(LLC = Partner, Corp = VP, CEO)
- 3) Setting your own work hours
- 4) Providing own equipment to get job done
- 5) Fixed jobs with clear beginning and end

# EDD Doesn't Want

- 1) Supplying business cards to others
- 2) Filing for unemployment
- 3) Status reports
- 4) Reviewing work/control over process
- 5) Training

# Scary but true...

*EDD Audit triggers IRS Audit which triggers FTB Audit*

*Many of your customers are going to lengthy consulting contracts (on top of the standard NDAs), spelling out all the terms of the contract.*

*And some of the larger companies like Cisco and Apple are becoming afraid of using individual consultants to avoid the risk.*