1099 CONTRACTOR CHECKLIST

(7 often overlooked and ignored items critical for any 1099 Contractor)

CONTRACT SPRINT

Have you restricted your contractor from stealing your employees?

Most states will enforce contractor obligations in your 1099 Agreement to refrain from soliciting your employees.

Have you restricted your contractor from reaching out to your customers for business?

If the contractor will have access to your customers or customer lists, we recommend including a non-solicitation of customers provision. States will often enforce it.

Does your Agreement give you ownership to any contractor deliverables?

By default, the contractor retains ownership of any work product it has created on your behalf. You simply receive a license to use it. This means the contractor can re-sell that work product to others, including competitors. Make sure your Agreement expressly transfers ownership to you.

Does your Agreement protect your sensitive business information?

Make sure your Agreement obligates your contractor to keep any sensitive and proprietary business information secret.

Can the contractor work for competitors?

Many states, such as Georgia, will allow you to enforce no-compete obligations against contractors. If the contractor has helped advantageously position your business in the market, then a non-compete will help prevent competitors from buying that same advantage from your contractor.

Have you included a change order procedure

If a zealous contractor performs additional work not requested, then confirm your Agreement clearly states that you are only obligated to pay for out-of-scope items agreed to by you in writing (not verbally).

Does your Agreement support classifying the relationship under 1099 (rather than employee)

If you contracted with a company with numerous employees and other customers, then the risk of employee misclassification is low. But, if you contracted with a soloprenuer (even through a company like an LLC), the Department of Labor or other state regulatory body may determine the solopreneur is really just an employee (and not a contractor) and hold you liable for back wages, overtime, and other damages. Make sure your agreement supports the 1099 relationship.

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