

Glossary

Casual Labor

Personal services, such as yard work or minor repairs that are performed for a private individual at his/her residence. Domestic services, such as child care, and household help do not qualify as casual labor for the purposes of unemployment tax exemption.

Note: Casual labor must be reported when performed for any type of for-profit business. The site where the work is performed cannot be a business site. If you are a business owner, it is unlikely that any of your employees would qualify as *casual labor*. Contact your District Tax Office for more information (see page 23).

Covered Employees

Employees that are *covered* by unemployment insurance if they lose their job through no fault of their own and are otherwise eligible for benefits.

Covered Employer

A business that is required to file tax and wage reports and to pay unemployment taxes. Employees are *covered* by unemployment insurance if they lose their job through no fault of their own and are otherwise eligible for benefits.

Delinquent Employer

A business that has not filed tax or wage reports and has not paid taxes or penalty and interest charges as of September 30 of any given year.

Employer with Breaks in Employment

A business that has had no-payroll for four or more consecutive quarters in 2002 or 2003.

Excess Wages

The amount of wages you pay an employee that exceeds the average annual salary for Washington State (referred to as the taxable wage base). You do not have to pay taxes on these wages, but you must report all wages.

Independent Contractors

A business or individual that performs a service for another business and passes one of the following tests. In test one, you must meet all three of the following criteria:

- The contractor is completely free from all direction and control by the employer. This means that the contractor furnishes his/her own materials and equipment; schedules his/her own hours and breaks; and/or performs work for others at the same time.
- Services are outside of the usual course of business or are performed off-site. This means that the service is different in nature than those normally offered by the business that is contracting for services and that they are not performed at that business' physical location.
- The contractor is independently established in his/her own trade, occupation, or business. This means the contractor has a valid business license, advertises independently, has other customers and/or operates its own office or place of business.

If you fail test one, you must meet all six of the following criteria:

- The contractor is completely free from all direction and control by the employer.
- Services are outside of the usual course of business or are performed off-site OR the contractor must cover the costs of the site where the service is performed.
- The contractor is independently established in his/her own trade, occupation, or business OR the contractor's principal place of business is eligible for a federal income tax deduction.
- The contractor must file a schedule of expenses for the service to the Internal Revenue Service.
- The contractor has a Unified Business Identifier (UBI) Number and is registered to pay business taxes to the State of Washington.
- The contractor maintains a set of bookkeeping records separate from the employer.