

1. **Purpose.** This document provides policy for the use of contracts and contractors within the United Methodist Church of Chugiak (hereafter referred to as UMC Chugiak). Additionally it assigns responsibilities and authorities to UMC Chugiak committees and committee officers.

2. **Overall Responsibilities and Authority**

a. The Staff Parish Relations (SPR) Committee and the pastor are responsible for recommending contracting policy to the church council. This policy document satisfies that requirement.

*The [SPR] committee and the pastor shall recommend to the church council a written statement of policy and procedures regarding the process for hiring, contracting, evaluating, promoting, retiring, and dismissing staff personnel who are not subject to episcopal appointment as ordained clergy.<sup>1</sup>*

b. The Board of Trustees is responsible for managing risk within the church. Since mismanagement of contracts can lead to increased risk, this document assigns overall responsibility for the management of contracts and contractors to the President of the Board of Trustees.

*The board of trustees shall review annually the adequacy of the property, liability, and crime insurance coverage on church-owned property, buildings, and equipment. The board of trustees shall also review annually the adequacy of personnel insurance. The purpose of these reviews is to ensure that the church, its properties, and its personnel are properly protected against risks.<sup>2</sup>*

c. Only the Board of Trustees President or Vice-President are authorized to bind the church by signing a contract between UMC Chugiak and a Contractor.

d. The Board of Trustees is responsible for the set up and maintenance of a process for record keeping and the conduct of periodic reviews of currency and accuracy of records associated with contracts and contractors in UMC Chugiak.

3. **Definitions**

a. **Business** is a legally recognized organizational entity designed to provide goods and/or services.

b. **Contract** is a binding agreement between two or more persons that is enforceable by law.

c. **Contractor**

(1) A party to a contract.

(2) For purposes of this document, the term "Contractor" will be used to describe any independent contractor or business under contract to UMC Chugiak, on a scheduled or unscheduled basis, to conduct a variety of functions (e.g., recurring building cleaning, unscheduled furnace and plumbing repair).

d. **Fidelity bond** is a form of protection that covers policyholders for losses that they incur as a result of fraudulent acts by specified individuals. It usually insures a business for losses caused by the dishonest acts of its employees.

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<sup>1</sup> *The Book of Discipline of The United Methodist Church—2008*. Copyright © 2008 by The United Methodist Publishing House, Para. 258.2.g.12. Used by permission.

<sup>2</sup> *Ibid*, Para 2532.2.

- e. **Independent Contractor** is a person working for an entity under contract and not an employee of the contracting entity.
  - f. **Liability Insurance** pays and renders service on behalf of an insured for loss arising out of his/her responsibility, due to negligence, to others imposed by law or assumed by contract.
  - g. **Sponsoring Committee** is the established program or administrative committee that requests the contractor services. For example, the Board of Trustees is the Sponsoring Committee for the building cleaning contractor.
4. **Determining Employee or Independent Contractor Classification**
- a. **Background**
    - (1) An important question arises when a church retains a new person to perform a particular job for the church: Is the person an employee or an independent contractor? Serious tax consequences may result if a person is misclassified.
    - (2) Most persons retained to do the day to day work of any organization, including a church, are considered employees. The IRS and courts have determined that United Methodist clergy at the local church are to be classified as employees for income tax purposes.
    - (3) The IRS views independent contractor arrangements with suspicion and scrutiny, because of previous abuses and an underlying viewpoint that persons who are working for an organization should be considered employees for income tax purposes.<sup>3</sup>
  - b. **Classification Guidance.** Two sources of information for determining the correct status of a person as either an employee or an independent contractor are provided in Appendices to this document:
    - (1) *Appendix A* – IRS 20-factor test from *Business Reporting*, IRS Publication 937
    - (2) *Appendix B* – IRS Common Law Rules from *Employers Supplemental Tax Guide*, IRS Publication 15-A
  - c. **UMC Chugiak Policy**
    - (1) The status of individuals providing services to UMC Chugiak as independent contractors will be determined utilizing the guidance found in *Appendix A and B* to this document prior to the signing of a contract and reviewed on an annual basis thereafter (during the month of October) to ensure compliance with most recent IRS guidance.
    - (2) The Internal Revenue Service will be formally consulted if employee or independent contractor status cannot be established with a high degree of confidence.
    - (3) Reclassification of any particular job being accomplished by an individual from independent contractor to employee will require SPR initiation of a new-employee hiring action.
  - d. **Responsibilities and Authorities**
    - (1) The Sponsoring Committee and Staff Parish Relations Committee chairpersons will provide one individual from each committee to conduct the employee or independent contractor classification or annual reclassification process.
    - (2) The Board of Trustees President is responsible for reviewing the outcome of the employee or independent contractor classification or annual reclassification process and is the only individual authorized to make the final classification or reclassification determination.

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<sup>3</sup> General Council on Finance and Administration of the United Methodist Church, *GCFA Legal Manual - 2005-2008 Edition*, Copyright 2001. All rights reserved.

- (3) The Board of Trustees President is the only individual representing UMC Chugiak authorized to formally consult with the IRS if employee or independent contractor status cannot be established with a high degree of confidence.

5. **Workers Compensation Insurance**

- a. **Background.** UMC Chugiak uses Contractors to conduct a variety of functions. Failure to ensure Contractors carry the appropriate Workers Compensation insurance can result in increased costs to the church in the event of a claim.
- b. **Worker's Compensation Guidance.** Two sources of information for determining whether a Contractor is required to have Workers Compensation insurance are provided in Appendices to this document:
  - (1) *Appendix C* – State of Alaska Requirements
  - (2) *Appendix D* – Church Mutual Insurance Company Requirements
- c. **UMC Chugiak Policy**
  - (1) All Contractors required to obtain Workers Compensation Insurance by Alaska State Law or Regulation that provide services to UMC Chugiak will present a certificate of Workers Compensation Insurance before work can be initiated.
  - (2) Contractors providing regularly scheduled services must provide a replacement certificate when coverage is updated or renewed.
  - (3) Contractors will not commence work until the status of their Worker's Compensation insurance is determined through certificate review.
- d. **Responsibilities**
  - (1) The Board of Trustees President is responsible for determining whether Contractors to UMC Chugiak are required to have Workers Compensation insurance.
  - (2) The Board of Trustees President is responsible for reviewing certificates of Workers Compensation Insurance for validity, retaining copies, and ensuring replacement certificates are provided when required.

6. **Liability Insurance and Fidelity Bonds**

- a. **Background.** Failure to ensure Contractors carry an appropriate level of liability insurance or fidelity bonds can result in increased costs to the church in the event of a loss or claim. Liability insurance would pay if a Contractor is held legally liable for damage to property or injuries caused to others. A fidelity bond would pay a Contractor if in the event that the Contractor's employee commits a dishonest act covered by the bond.
- b. **UMC Chugiak Policy**
  - (1) All Contractors are required to provide proof that they have an appropriate level of liability insurance.
  - (2) Contractors entrusted with money or property belonging to UMC Chugiak may be required to provide proof that they have an adequate level of fidelity bonding to cover potential losses.
- c. **Responsibilities**
  - (1) The Board of Trustees President is responsible for determining whether Contractors to UMC Chugiak are required to have liability insurance or fidelity bonds.
  - (2) The Board of Trustees President is also responsible for determining the level of liability insurance or fidelity bonding required.

7. **Business and Professional Licensing**

- a. **Background.** The State of Alaska issues business licenses to organizations doing business within Alaska as well as professional licensing for some professions. In addition to State requirements, the Municipality of Anchorage issues business licenses for selective occupations as well as contractor licenses.
- b. **References.** Two sources of information for determining licensing requirements, current at the time this policy document was developed, are provided in Appendices to this document:
  - (1) *Appendix E* – State of Alaska licensing requirements
  - (2) *Appendix F* – Municipality of Anchorage licensing requirements
- c. **UMC Chugiak Policy**
  - (1) All Contractors must present a copy of a current State of Alaska Business License before work can be initiated, and replacement licenses must be provided upon renewal.
  - (2) Those individuals required to possess State of Alaska Professional Licenses will also present a copy of those licenses. Replacement licenses must be provided upon renewal.
- d. **Responsibilities**
  - (1) The Board of Trustees President is responsible for ensuring organizations doing business with UMC Chugiak have business licenses.
  - (2) The Board of Trustees President is responsible for determining whether Contractors to UMC Chugiak are required to have professional licenses meeting State of Alaska and Municipality of Anchorage requirements.

8. **Contracts**

- a. **Background.** Well written contracts provide a benefit to UMC Chugiak and the other party because they clearly define the promise or set of promises constituting an agreement between the parties that gives each a legal duty to the other and also gives each the right to seek a remedy for the breach of those duties.
- b. **Reference.** *Appendix G*, which comes from the General Council on Finance and Administration of the United Methodist Church legal manual, provides detailed basic-level background information on contracts that may be generated within a typical church.
- c. **UMC Chugiak Policy**
  - (1) **Competition.** All contracts (over \$XXXXX) will be let on a competitive basis, with a minimum of three contenders desirable.
  - (2) **Length of Contract.** Service contracts shall have a one year maximum term, with a maximum of two renewals before the contract must be recompeted (maximum three years total).
  - (3) **Terms.** The following terms should generally be included in contracts
    - (a) The legal names of the parties, titles, and their addresses
    - (b) Start and end dates
    - (c) Whether the contract is renewable
    - (d) A clear statement of the services or product to be provided
    - (e) A clear indication of the cost of the service or product including any installment payment schedules
    - (f) A clear statement of the ownership of any copyrightable material

- (g) A clear statement regarding whether any expenses shall be reimbursed and, if so, to what level
  - (h) The parties' taxpayer identification numbers (for a corporation this is its employer identification number)
  - (i) A clear statement regarding termination
  - (j) A clear statement regarding warranties provided
  - (k) A clear statement of how disputes will be resolved (arbitration, mediation)
  - (l) Workers Compensation insurance requirements
  - (m) Liability insurance and fidelity bond requirements
  - (n) Business and professional licensing requirements
- (4) **General Restriction.** Only those committee officers and church staff specified as a UMC Chugiak Contract Authority may enter into oral or written contracts in the name of UMC Chugiak.

d. **Responsibility and Authority**

- (1) **Staff.** All church staff and volunteers are responsible for understanding UMC Chugiak Contract Authorities responsibilities, and for not exceeding their authorities if designated as a UMC Chugiak Contract Authority.
- (2) **Training.** The President of the Board of Trustees is responsible for ensuring contract authorities have the appropriate training to perform those functions.
- (3) **UMC Chugiak Contract Authorities.** The following staff and committee officers are designated UMC Chugiak Contract Authorities, subject to the listed limitations of authority:

Committee Officer or Staff Member	Authority and Limitations
President, Board of Trustees	<ul style="list-style-type: none"> <li>• Overall authority for contracts</li> <li>• Contracts over \$XXX,XXX require majority consent of the Board of Trustees</li> <li>• Overall authority for negotiation and communication with insurance company</li> </ul>
Office Manager	<ul style="list-style-type: none"> <li>• Purchase of routine office supplies</li> <li>• Purchases not to exceed \$X,XXX per month</li> </ul>
Others???	<ul style="list-style-type: none"> <li>•</li> </ul>

## Appendix A

### 20-Factor Test for Employee or Independent Contractor Determination

1. **Background.** The IRS uses a 20-factor test to determine whether a person is an employee. In connection with this test, the IRS has stated the following: *"20 factors have been identified that indicate whether sufficient control is present to establish an employer-employee relationship. The degree of importance of each factor varies depending upon the occupation and the context in which the services are performed. It does not matter that the employer allows the employee freedom of action, so long as the employer has the right to control both the method and the result of the services..."*<sup>1</sup>
2. **Factors.** The 20 common law factors are:
  - a. **Instructions.** An employee must comply with instructions about when, where, and how to work. Even if no instructions are actually given, the control factor is present if the employer has the right to give instructions. Independent contractors direct themselves as to when, where and how to do their work.
  - b. **Training.** An employee is trained to perform services in a particular manner. Independent contractors ordinarily use their own methods and receive no training from the purchasers of their services.
  - c. **Integration.** An employee's services are integrated into the business operations because the services are important to the success or continuation of the business. This shows that the employee is subject to direction and control.
  - d. **Services rendered personally.** An employee renders services personally. This shows that the employer is interested in the methods as well as the results. Independent contractors are generally free to hire assistants or to sub-contract their work, since they are directing their own operations and making their own decisions about how to get the job done.
  - e. **Hiring, supervising and paying assistants.** An employee works for an employer who hires, supervises, and pays assistants under a contract that required him or her to provide materials and labor and to be responsible only for the result.
  - f. **Continuing relationship.** An employee has a continuing relationship with an employer. A continuing relationship may exist where work is performed at frequently recurring although irregular intervals. An independent contractor ordinarily is hired to do a particular job and then moves on to do work elsewhere for another organization.
  - g. **Set hours of work.** An employee has set hours of work established by an employer. An independent contractor is the master of his or her own time.
  - h. **Full-time work.** An employee normally works full-time for an employer. An independent contractor can work when and for whom he or she chooses.
  - i. **Work done on employer's premises.** An employee works on the premises of an employer, or works on a route or at a location designated by the employer. An independent contractor ordinarily sets his/her own place of work.
  - j. **Order or sequence set.** An individual who must perform services in the order or sequence set by and employer looks like an employee, subject to direction and control.

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<sup>1</sup> *GCFM Legal Manual - 2005-2008 Edition*, General Council on Finance and Administration of the United Methodist Church, [http://www.gcfm.org/ls\\_legalmanual.html](http://www.gcfm.org/ls_legalmanual.html).

- k. **Oral or written reports.** A person who regularly submits reports to a supervisor looks like an employee, who must account to the employer for his or her actions.
  - l. **Payments.** An employee is paid by the hour, week, or month. An independent contractor is paid by the job or on a straight commission.
  - m. **Expenses.** An employee's business expenses are customarily paid by an employer. This shows that the employee is subject to regulation and control. An independent contractor ordinarily pays for his/her own business expenses.
  - n. **Tools and materials.** An employee is furnished significant tools, materials, and other equipment by an employer (examples in a church: computer books, music, uniforms).
  - o. **Investment.** An independent contractor has a significant investment in the facilities he or she uses in performing services for someone else.
  - p. **Profit or loss.** An independent contractor can make a financial profit or suffer a financial loss; whereas an employee ordinarily does not suffer any financial losses associated with his/her work.
  - q. **Works for more than one person or firm.** An independent contractor offers and ordinarily gives his or her services to two or more unrelated persons or firms at the same time (example: an outside snow removal or lawn service used by a church would do the same work for a number of clients and would be considered an independent contractor; a facilities maintenance person who does full time work for the church that includes snow removal and lawn service and does not have a snow removal/lawn service business for their clients probably would be considered an employee, absent other unique circumstances).
  - r. **Offers services to general public.** An independent contractor makes his or her services available to the general public.
  - s. **Right to fire.** An employer can fire an employee. An independent contractor typically cannot be terminated so long as he or she produces a result that meets the specification of the contract for the services.
  - t. **Right to quit.** An employee can quit his or her job at any time without incurring liability. An independent contractor usually agrees to complete a specific job and is responsible for its satisfactory completion, or is legally obligated to make good for failure to complete it.
3. **Examples in a church setting:**
- a. A church organist/music director who holds the position of Minister of Music, who works 35 hours a week and who works under the direction of the church, probably is an employee.
  - b. An organist who works for six area churches when their regular organist is sick or on vacation (and offers his/her services to other churches) probably is an independent contractor.
  - c. A maintenance person who works 20 hours a week for the church on evenings, weekends (and after weddings and funerals) and who has a regular day job elsewhere but does not have a facilities maintenance business probably would be viewed by the IRS as an employee of the church, absent other facts.
  - d. A maintenance person who works for ABC Maintenance Company and is sent to different job locations, including the church, depending on the work schedule set by ABC, would be an employee of ABC Maintenance Company. ABC Maintenance Company would be an independent contractor in its relationship with the church.
  - e. A painter who walks in off the street and offers to spend the next four weeks painting the church for a flat fee is probably an independent contractor. She/He will do the assigned painting tasks and then go on to paint other churches, businesses or homes.

4. **Summary.** Churches sometimes have fact scenarios that are somewhere in-between these extremes. Each church organization needs to do its own analysis, in close consultation with legal counsel, for any "job" that is in a gray area if the church wants to consider the person doing the job to be an independent contractor.

For more information on the status of a worker as an employee or independent contractor, see IRS Publication 15-A, *Employer Supplemental Tax Guide*, available from IRS (See *Appendix B*).

## Appendix B

### Employee or Independent Contractor Determination<sup>1</sup>

1. **Background.** An employer must generally withhold federal income taxes, withhold and pay social security and Medicare taxes, and pay unemployment tax on wages paid to an employee. An employer does not generally have to withhold or pay any taxes on payments to independent contractors.
2. **Common-Law Rules.** To determine whether an individual is an employee or an independent contractor under the common law, the relationship of the worker and the business must be examined. In any employee-independent contractor determination, all information that provides evidence of the degree of control and the degree of independence must be considered. Facts that provide evidence of the degree of control and independence fall into three categories: behavioral control, financial control, and the type of relationship of the parties. These facts are discussed below.
  - (1) **Behavioral control.** Facts that show whether the business has a right to direct and control how the worker does the task for which the worker is hired include the type and degree of:
    - (a) **Instructions that the business gives to the worker.** An employee is generally subject to the business' instructions about when, where, and how to work. All of the following are examples of types of instructions about how to do work.
      - When and where to do the work
      - What tools or equipment to use
      - What workers to hire or to assist with the work
      - Where to purchase supplies and services
      - What work must be performed by a specified individual
      - What order or sequence to follow

Note: The amount of instruction needed varies among different jobs. Even if no instructions are given, sufficient behavioral control may exist if the employer has the right to control how the work results are achieved. A business may lack the knowledge to instruct some highly specialized professionals; in other cases, the task may require little or no instruction. The key consideration is whether the business has retained the right to control the details of a worker's performance or instead has given up that right.
    - (b) **Training that the business gives to the worker.** An employee may be trained to perform services in a particular manner. Independent contractors ordinarily use their own methods.
  - (2) **Financial control.** Facts that show whether the business has a right to control the business aspects of the worker's job include:
    - (a) **The extent to which the worker has unreimbursed business expenses.** Independent contractors are more likely to have unreimbursed expenses than are employees. Fixed ongoing costs that are incurred regardless of whether work is currently being performed are especially important. However, employees may also incur unreimbursed expenses in connection with the services that they perform for their business.

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<sup>1</sup> Internal Revenue Service, *Employer's Supplemental Tax Guide* (Supplement to Publication 15 (Circular E), Employer's Tax Guide), IRS Publication 15-A, 2009, <http://www.irs.gov/pub/irs-pdf/p15a.pdf>.

- (b) **The extent of the worker's investment.** An independent contractor often has a significant investment in the facilities he or she uses in performing services for someone else. However, a significant investment is not necessary for independent contractor status.
  - (c) **The extent to which the worker makes his or her services available to the relevant market.** An independent contractor is generally free to seek out business opportunities. Independent contractors often advertise, maintain a visible business location, and are available to work in the relevant market.
  - (d) **How the business pays the worker.** An employee is generally guaranteed a regular wage amount for an hourly, weekly, or other period of time. This usually indicates that a worker is an employee, even when the wage or salary is supplemented by a commission. An independent contractor is usually paid by a flat fee for the job. However, it is common in some professions, such as law, to pay independent contractors hourly.
  - (e) **The extent to which the worker can realize a profit or a loss.** The independent contractor can make a profit or loss.
- (3) **Type of relationship.** Facts that show the parties type of relationship include:
- (a) **Written Contracts** describing the relationship that the parties intend to create.
  - (b) **Benefits.** Whether or not the business provides the worker with employee-type benefits, such as insurance, a pension plan, vacation pay, or sick pay.
  - (c) **The permanency of the relationship.** If you engage a worker with the expectation that the relationship will continue indefinitely, rather than for a specific project or period, this is generally considered evidence that your intent was to create an employer-employee relationship.
  - (d) **The extent to which services performed by the worker are a key aspect of the regular business of the company.** If a worker provides services that are a key aspect of your regular business activity, it is more likely that you will have the right to control his or her activities. For example, if a law firm hires an attorney, it is likely that it will present the attorney's work as its own and would have the right to control or direct that work. This would indicate an employer-employee relationship
3. **IRS help**
- a. If you want the IRS to determine whether or not a worker is an employee, file Form SS-8, Determination Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding, with the IRS.
  - b. Since this form may aid in the classification of the worker as either an employee or an independent contractor, it is provided as *Tab 1 to Appendix B*.



**Part II Behavioral Control**

- 1 What specific training and/or instruction is the worker given by the firm? .....
- 2 How does the worker receive work assignments? .....
- 3 Who determines the methods by which the assignments are performed? .....
- 4 Who is the worker required to contact if problems or complaints arise and who is responsible for their resolution? .....
- 5 What types of reports are required from the worker? Attach examples. ....
- 6 Describe the worker's daily routine such as, schedule, hours, etc. ....
- 7 At what location(s) does the worker perform services (e.g., firm's premises, own shop or office, home, customer's location, etc.)? Indicate the appropriate percentage of time the worker spends in each location, if more than one. ....
- 8 Describe any meetings the worker is required to attend and any penalties for not attending (e.g., sales meetings, monthly meetings, staff meetings, etc.). ....
- 9 Is the worker required to provide the services personally? . . . . .  Yes  No
- 10 If substitutes or helpers are needed, who hires them? .....
- 11 If the worker hires the substitutes or helpers, is approval required? . . . . .  Yes  No  
If "Yes," by whom? .....
- 12 Who pays the substitutes or helpers? .....
- 13 Is the worker reimbursed if the worker pays the substitutes or helpers? . . . . .  Yes  No  
If "Yes," by whom? .....

**Part III Financial Control**

- 1 List the supplies, equipment, materials, and property provided by each party:  
The firm .....
- The worker .....
- Other party .....
- 2 Does the worker lease equipment? . . . . .  Yes  No  
If "Yes," what are the terms of the lease? (Attach a copy or explanatory statement.) .....
- 3 What expenses are incurred by the worker in the performance of services for the firm? .....
- 4 Specify which, if any, expenses are reimbursed by:  
The firm .....
- Other party .....
- 5 Type of pay the worker receives:  Salary  Commission  Hourly Wage  Piece Work  
 Lump Sum  Other (specify) .....
- If type of pay is commission, and the firm guarantees a minimum amount of pay, specify amount \$ .....
- 6 Is the worker allowed a drawing account for advances? . . . . .  Yes  No  
If "Yes," how often? .....
- Specify any restrictions. ....
- 7 Whom does the customer pay? . . . . .  Firm  Worker  
If worker, does the worker pay the total amount to the firm?  Yes  No If "No," explain. ....
- 8 Does the firm carry worker's compensation insurance on the worker? . . . . .  Yes  No
- 9 What economic loss or financial risk, if any, can the worker incur beyond the normal loss of salary (e.g., loss or damage of equipment, material, etc.)? .....

**Part IV Relationship of the Worker and Firm**

- 1 List the benefits available to the worker (e.g., paid vacations, sick pay, pensions, bonuses, paid holidays, personal days, insurance benefits). .....
- 2 Can the relationship be terminated by either party without incurring liability or penalty? . . . . .  **Yes**  **No**  
If "No," explain your answer. ....
- 3 Did the worker perform similar services for others during the same time period? . . . . .  **Yes**  **No**  
If "Yes," is the worker required to get approval from the firm? . . . . .  **Yes**  **No**
- 4 Describe any agreements prohibiting competition between the worker and the firm while the worker is performing services or during any later period. Attach any available documentation. ....
- 5 Is the worker a member of a union? . . . . .  **Yes**  **No**
- 6 What type of advertising, if any, does the worker do (e.g., a business listing in a directory, business cards, etc.)? Provide copies, if applicable. ....
- 7 If the worker assembles or processes a product at home, who provides the materials and instructions or pattern? .....
- 8 What does the worker do with the finished product (e.g., return it to the firm, provide it to another party, or sell it)? .....
- 9 How does the firm represent the worker to its customers (e.g., employee, partner, representative, or contractor)? .....
- 10 If the worker no longer performs services for the firm, how did the relationship end (e.g., worker quit or was fired, job completed, contract ended, firm or worker went out of business)? .....

**Part V For Service Providers or Salespersons.** Complete this part if the worker provided a service directly to customers or is a salesperson.

- 1 What are the worker's responsibilities in soliciting new customers? .....
- 2 Who provides the worker with leads to prospective customers? .....
- 3 Describe any reporting requirements pertaining to the leads. ....
- 4 What terms and conditions of sale, if any, are required by the firm? .....
- 5 Are orders submitted to and subject to approval by the firm? . . . . .  **Yes**  **No**
- 6 Who determines the worker's territory? .....
- 7 Did the worker pay for the privilege of serving customers on the route or in the territory? . . . . .  **Yes**  **No**  
If "Yes," whom did the worker pay? .....
- 8 If "Yes," how much did the worker pay? . . . . . \$ \_\_\_\_\_  
Where does the worker sell the product (e.g., in a home, retail establishment, etc.)? .....
- 9 List the product and/or services distributed by the worker (e.g., meat, vegetables, fruit, bakery products, beverages, or laundry or dry cleaning services). If more than one type of product and/or service is distributed, specify the principal one. ....
- 10 Does the worker sell life insurance full time? . . . . .  **Yes**  **No**
- 11 Does the worker sell other types of insurance for the firm? . . . . .  **Yes**  **No**  
If "Yes," enter the percentage of the worker's total working time spent in selling other types of insurance . . . . . \_\_\_\_\_%
- 12 If the worker solicits orders from wholesalers, retailers, contractors, or operators of hotels, restaurants, or other similar establishments, enter the percentage of the worker's time spent in the solicitation . . . . . \_\_\_\_\_%
- 13 Is the merchandise purchased by the customers for resale or use in their business operations? . . . . .  **Yes**  **No**  
Describe the merchandise and state whether it is equipment installed on the customers' premises. ....

**Sign Here**  Under penalties of perjury, I declare that I have examined this request, including accompanying documents, and to the best of my knowledge and belief, the facts presented are true, correct, and complete.

\_\_\_\_\_ Title ▶ \_\_\_\_\_ Date ▶ \_\_\_\_\_  
Type or print name below signature.

## General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

### Purpose

Firms and workers file Form SS-8 to request a determination of the status of a worker for purposes of federal employment taxes and income tax withholding.

A Form SS-8 determination may be requested only in order to resolve federal tax matters. If Form SS-8 is submitted for a tax year for which the statute of limitations on the tax return has expired, a determination letter will not be issued. The statute of limitations expires 3 years from the due date of the tax return or the date filed, whichever is later.

The IRS does not issue a determination letter for proposed transactions or on hypothetical situations. We may, however, issue an information letter when it is considered appropriate.

### Definition

**Firm.** For the purposes of this form, the term “firm” means any individual, business enterprise, organization, state, or other entity for which a worker has performed services. The firm may or may not have paid the worker directly for these services.



*If the firm was not responsible for payment for services, be sure to enter the name, address, and employer identification number of the payer on the first page of Form SS-8, below the identifying information for the firm and the worker.*

### The SS-8 Determination Process

The IRS will acknowledge the receipt of your Form SS-8. Because there are usually two (or more) parties who could be affected by a determination of employment status, the IRS attempts to get information from all parties involved by sending those parties blank Forms SS-8 for completion. Some or all of the information provided on this Form SS-8 may be shared with the other parties listed on page 1. The case will be assigned to a technician who will review the facts, apply the law, and render a decision. The technician may ask for additional information from the requestor, from other involved parties, or from third parties that could help clarify the work relationship before rendering a decision. The IRS will generally issue a formal determination to the firm or payer (if that is a different entity), and will send a copy to the worker. A determination letter applies only to a worker (or a class of workers) requesting it, and the decision is binding on the IRS. In certain cases, a formal determination will not be issued. Instead, an information letter may be issued. Although an information letter is advisory only and is not binding on the IRS, it may be used to assist the worker to fulfill his or her federal tax obligations.

Neither the SS-8 determination process nor the review of any records in connection with the determination constitutes an examination (audit) of any federal tax return. If the periods under consideration have previously been examined, the SS-8 determination process will not constitute a reexamination under IRS reopening procedures. Because this is not an examination of any federal tax return, the appeal rights available in connection with an examination do not apply to an SS-8 determination. However, if you disagree with a determination and you have additional information concerning the work relationship that you believe was not previously considered, you may request that the determining office reconsider the determination.

## Completing Form SS-8

Answer all questions as completely as possible. Attach additional sheets if you need more space. Provide information for all years the worker provided services for the firm. Determinations are based on the entire relationship between the firm and the worker. Also indicate if there were any significant changes in the work relationship over the service term.

Additional copies of this form may be obtained by calling 1-800-829-4933 or from the IRS website at [www.irs.gov](http://www.irs.gov).

### Fee

There is no fee for requesting an SS-8 determination letter.

### Signature

Form SS-8 must be signed and dated by the taxpayer. A stamped signature will not be accepted.

The person who signs for a corporation must be an officer of the corporation who has personal knowledge of the facts. If the corporation is a member of an affiliated group filing a consolidated return, it must be signed by an officer of the common parent of the group.

The person signing for a trust, partnership, or limited liability company must be, respectively, a trustee, general partner, or member-manager who has personal knowledge of the facts.

### Where To File

Send the completed Form SS-8 to the address listed below for the firm’s location. However, only for cases involving federal agencies, send Form SS-8 to the Internal Revenue Service, Attn: CC:CORP:T:C, Ben Franklin Station, P.O. Box 7604, Washington, DC 20044.

#### Firm’s location:

#### Send to:

Alaska, Arizona, Arkansas, California, Colorado, Hawaii, Idaho, Illinois, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, Wisconsin, Wyoming, American Samoa, Guam, Puerto Rico, U.S. Virgin Islands

Internal Revenue Service  
SS-8 Determinations  
P.O. Box 630  
Stop 631  
Holtsville, NY 11742-0630

Alabama, Connecticut, Delaware, District of Columbia, Florida, Georgia, Indiana, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Mississippi, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virginia, West Virginia, all other locations not listed

Internal Revenue Service  
SS-8 Determinations  
40 Lakemont Road  
Newport, VT 05855-1555

## Instructions for Workers

If you are requesting a determination for more than one firm, complete a separate Form SS-8 for each firm.



*Form SS-8 is not a claim for refund of social security and Medicare taxes or federal income tax withholding.*

If the IRS determines that you are an employee, you are responsible for filing an amended return for any corrections related to this decision. A determination that a worker is an employee does not necessarily reduce any current or prior tax liability. For more information, call 1-800-829-1040.

**Time for filing a claim for refund.** Generally, you must file your claim for a credit or refund within 3 years from the date your original return was filed or within 2 years from the date the tax was paid, whichever is later.

**Filing Form SS-8 does not prevent the expiration of the time in which a claim for a refund must be filed.** If you are concerned about a refund, and the statute of limitations for filing a claim for refund for the year(s) at issue has not yet expired, you should file Form 1040X, Amended U.S. Individual Income Tax Return, to protect your statute of limitations. File a separate Form 1040X for each year.

On the Form 1040X you file, do not complete lines 1 through 24 on the form. Write "Protective Claim" at the top of the form, sign and date it. In addition, you should enter the following statement in Part II, Explanation of Changes: "Filed Form SS-8 with the Internal Revenue Service Office in (Holtsville, NY; Newport, VT; or Washington, DC; as appropriate). By filing this protective claim, I reserve the right to file a claim for any refund that may be due after a determination of my employment tax status has been completed."

**Filing Form SS-8 does not alter the requirement to timely file an income tax return.** Do not delay filing your tax return in anticipation of an answer to your SS-8 request. In addition, if applicable, do not delay in responding to a request for payment while waiting for a determination of your worker status.

## Instructions for Firms

If a **worker** has requested a determination of his or her status while working for you, you will receive a request from the IRS to complete a Form SS-8. In cases of this type, the IRS usually gives each party an opportunity to present a statement of the facts because any decision will affect the employment tax status of the parties. Failure to respond to this request will not prevent the IRS from issuing a determination letter based on the information he or she has made available so that the worker may fulfill his or her federal tax obligations. However, the information that you provide is extremely valuable in determining the status of the worker.

If you are requesting a determination for a particular class of worker, complete the form for one individual who is representative of the class of workers whose status is in question. If you want a written determination for more than one class of workers, complete a separate Form SS-8 for one worker from each class whose status is typical of that class. A written determination for any worker will apply to other workers of the same class if the facts are not materially different for these workers. Please provide a list of names and addresses of all workers potentially affected by this determination.

If you have a reasonable basis for not treating a worker as an employee, you may be relieved from having to pay employment taxes for that worker under section 530 of the

1978 Revenue Act. However, this relief provision cannot be considered in conjunction with a Form SS-8 determination because the determination does not constitute an examination of any tax return. For more information regarding section 530 of the 1978 Revenue Act and to determine if you qualify for relief under this section, you may visit the IRS website at [www.irs.gov](http://www.irs.gov).

**Privacy Act and Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. This information will be used to determine the employment status of the worker(s) described on the form. Subtitle C, Employment Taxes, of the Internal Revenue Code imposes employment taxes on wages. Sections 3121(d), 3306(a), and 3401(c) and (d) and the related regulations define employee and employer for purposes of employment taxes imposed under Subtitle C. Section 6001 authorizes the IRS to request information needed to determine if a worker(s) or firm is subject to these taxes. Section 6109 requires you to provide your taxpayer identification number. Neither workers nor firms are required to request a status determination, but if you choose to do so, you must provide the information requested on this form. Failure to provide the requested information may prevent us from making a status determination. If any worker or the firm has requested a status determination and you are being asked to provide information for use in that determination, you are not required to provide the requested information. However, failure to provide such information will prevent the IRS from considering it in making the status determination. Providing false or fraudulent information may subject you to penalties. Routine uses of this information include providing it to the Department of Justice for use in civil and criminal litigation, to the Social Security Administration for the administration of social security programs, and to cities, states, and the District of Columbia for the administration of their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism. We may provide this information to the affected worker(s), the firm, or payer as part of the status determination process.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: Recordkeeping, 22 hrs.; Learning about the law or the form, 47 min.; and Preparing and sending the form to the IRS, 1 hr., 11 min. If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6406, Washington, DC 20224. Do not send the tax form to this address. Instead, see *Where To File* on page 4.



**Appendix C**  
**State of Alaska Workers Compensation Requirements<sup>1</sup>**

1. **Background.** The Alaska Workers' Compensation Act requires each employer having one or more employees in Alaska to obtain workers' compensation insurance, unless the employer has been approved as a self-insurer. Determining employee status is accomplished utilizing the relative-nature-of-the-work-test as set out in Alaska Regulation 8 AAC 45.890.
2. **Exceptions.** There are few exceptions to those who do not need to be covered under a Workers' Compensation policy. Generally speaking, those include:
  - a. Sole proprietors in a sole proprietorship;
  - b. General partners in a partnership;
  - c. Executive officers in a nonprofit corporation,
  - d. Members in a member managed limited liability company,
  - e. Part-time baby-sitters,
  - f. Cleaning persons (non-commercial),
  - g. Harvest help and similar part-time/transient help,
  - h. Sports officials for amateur events,
  - i. Contract entertainers,
  - j. Commercial fishers,
  - k. Taxicab drivers whose compensation is by contractual arrangement,
  - l. A participant in the Alaska Temporary Assistance Program (ATAP), and
  - m. Professional hockey team players and coaches if those persons are covered under a health care insurance plan.
  - n. In addition, executive officers in a for-profit corporation may exempt themselves by filing an Executive Officer Waiver with the department.
3. **Other special provisions set out in statute include:**
  - a. High school students in work-study programs are not considered to be employees;
  - b. Volunteer emergency medical technicians are covered under the Act as employees of the state;
  - c. Special public safety officers appointed by the Commissioner of Public Safety are covered under the Act as employees of the state;
  - d. Members of state boards and commissions are covered under the Act as employees of the state;
  - e. Volunteer fire fighters are covered under the act as employees of the local fire department;
  - f. Individuals engaged in civil defense or in disaster relief functions in Alaska are covered under the Act as employees of the state, and
  - g. Individuals engaged in the Alaska State Defense Force in Alaska are covered under the Act as employees of the State of Alaska.

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<sup>1</sup> State of Alaska, *Establishing a Business in Alaska*, 13th Edition, March 2006, <http://www.commerce.state.ak.us/investments/pdf/EstablishingABusiness.pdf>.

4. **Coverage.** Insurance coverage is obtained from commercial insurance carriers authorized by DOLWD's Division of Insurance ("Division of Insurance") to write workers' compensation insurance in the State of Alaska.
5. **Penalties.** If an employer fails to obtain the required workers' compensation insurance, the employer may be subject to a civil penalty of \$1,000 per employee for each day of operation without the required insurance, and be subject to a stop work order terminating the employer's ability to use employee labor in Alaska.

6. **Responsible State of Alaska Organization**

DOLWD; Division of Workers' Compensation  
PO Box 25512  
Juneau, AK 99802-5512

Phone: (907) 465-2790

Fax: (907) 465-2797

**Appendix D**  
**Church Mutual Insurance Company Guidance<sup>1</sup>**

**Managing Your Risk**

**Don't Unknowingly Insure Your Contractor**

Almost every religious organization uses independent contractors for a variety of tasks, such as electrical repairs, plumbing repairs and cleaning. Unfortunately, many organizations do not realize if the contractor does not carry workers' compensation insurance, the organization is absorbing the financial risk if an injury occurs to the contractor or their employees.

The cost to the religious organization for this can come in many different forms.

- The claims for these injuries might increase your workers' compensation premium when the policy is renewed.
- Your insurer might add a construction code (charge) to your policy in midyear as the premium charged for the original policy did not include a factor for covering independent contractors.
- You're also susceptible to fraud. If a contract worker is injured elsewhere, they might claim the injury occurred at your facility because you have deep pockets — your workers' compensation policy.

A few years ago, a Church Mutual customer hired a contractor to install a concrete slab for a church addition. The church did not ask the contractor for any proof of insurance. In a tragic accident, three workers were severely injured — two permanently.

It was only after the accident that it was learned the contractor did not have workers' compensation coverage. Next in line to provide coverage was the organization that hired the contractor. Large claims were made against the church's workers' compensation policy, and they were paid. The church never intended to provide coverage for the contractors but in the end did. And they will be paying for that mistake for years.

Whenever you hire a contractor to perform work, require a certificate of workers' compensation insurance be produced before allowing work to be done. All insurance companies provide these certificates for their customers when requested. Make a copy of the certificate and keep it in a file.

Transferring risk through contracts is an excellent way of controlling exposures, but all parties need to be aware of how they could be impacted.

Richard J. Schaber, CPCU  
Risk Control Manager

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<sup>1</sup> Richard J. Schaber, *Managing Your Risks - Don't Unknowingly Insure Your Contractor*, Church Mutual Insurance Company Risk Reporter Newsletter; 8, Issue 1, Winter 2009. Used with permission.

## Appendix E State of Alaska Licensing Requirements<sup>1</sup>

### 1. Business Licensing

- a. **Requirements.** An "Alaska Business License" is required for all organizations doing business in Alaska.
- b. **Cost and Term.** The cost is \$100 each year. An Alaska Business License is valid for one or two years, which consists of the current year in which the license is granted, or the current year, plus, all of the next calendar year. Alaska Business licenses expire on December 31st.
- c. **Administering Organization**
  - (1) Alaska Department of Commerce, Community, and Economic Development (DCCED)  
Division of Corporations, Business & Professional Licensing  
Occupational Licensing Section (Business Licensing)
  - (2) PO Box 110808  
Juneau, AK 99811-0808  
(Office Hours Mon-Fri - 8am to 5pm)  
Business License Staff: (907) 465-2550
  - (3) **Website:** <http://www.commerce.state.ak.us/occ/>

### 2. Occupational and Professional Licensing

- a. **Requirements.** The State of Alaska Professional Licensing Section provides verification of qualifications of persons engaged in various occupational and professional vocations. They provide information to those persons seeking licensing in the State of Alaska, and investigate and enforce the statutes governing the various boards.
- b. **Administering Organization**
  - (1) Alaska Department of Commerce, Community, and Economic Development (DCCED)  
Division of Corporations, Business & Professional Licensing  
Professional Licensing Section (Professional Licensing Section)
  - (2) PO Box 110808  
Juneau, AK 99811-0808  
(Office Hours Mon-Fri - 8am to 5pm)  
Receptionist: (907) 465-2534
  - (3) **Website:** <http://www.commerce.state.ak.us/occ/>
- c. **Professional categories** licensed through the Professional Licensing Section include:
 

<ul style="list-style-type: none"> <li>• Acupuncturists</li> <li>• Audiologists, Hearing Aid Dealers, Speech Pathologists;</li> <li>• Big Game Guides and Transporters;</li> </ul>	<ul style="list-style-type: none"> <li>• Architects, Engineers, Land Surveyors, and Landscape Architects;</li> <li>• Barbers and Hairdressers;</li> <li>• Body Piercing;</li> </ul>
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<sup>1</sup> State of Alaska, *Establishing A Business In Alaska*, 13th Edition, March 2006, <http://www.commerce.state.ak.us/investments/pdf/EstablishingABusiness.pdf>

- Chiropractic;
- Social Workers;
- Concert Promoters;
- Dental and Dental Hygienists;
- Direct Entry Midwives;
- Electrical Administrators;
- Foreign Pleasure Craft;
- Guardians;
- Manicurists;
- Marital and Family Therapists;
- Medical (including Paramedics and Physician Assistants);
- Naturopaths;
- Nursing;
- Optometrists;
- Physical/Occupational Therapy;
- Psychology;
- Real Estate Appraisers;
- Tattoos and Permanent Cosmetic Coloring;
- Veterinarians
- Conservators;
- Collection Agencies;
- Construction Contractors;
- Dieticians and Nutritionists;
- Dispensing Opticians;
- Euthanasia Services (Animals);
- Geologists;
- Home Inspectors;
- Marine Pilots;
- Mechanical Administrators;
- Mortuary Science;
- Nurse Aides;
- Nursing Home Administrators;
- Pharmacy;
- Professional Counselors;
- Public Accountancy;
- Real Estate Commission;
- Underground Storage Tank Workers

**Appendix F**  
**Municipality of Anchorage Licensing**

1. **Business Licenses**<sup>1</sup>

- a. **Requirements.** Business licenses are required for only selective occupations within the Municipality of Anchorage, and none of these occupations are likely to be used at UMC Chugiak.
- b. **Administering Organization.** Municipal License Clerk at (907)343-4316.
- c. **Occupations Requiring Municipality of Anchorage Business Licenses:**
  - (1) Tow Operator
  - (2) Pawnbrokers
  - (3) Used Automobile Display Lots
  - (4) Noncommercial Solicitors
  - (5) Massage Practitioners
  - (6) Private Detective Agencies
  - (7) Adult Oriented Establishments
  - (8) Circuses & Amusements
  - (9) Shooting Galleries
  - (10) Roving Vendors
  - (11) Teen Nightclubs

2. **Contractors Licenses**

- a. **Requirements.** Any individual or business engaged in construction within the Municipality of Anchorage Building Safety Service Area is required to obtain a Municipal Contractors License. The Municipality of Anchorage Building Safety Service Area (Anchorage Bowl) does not include Chugiak.<sup>2</sup>
- b. **Administering Organization.** Municipality of Anchorage Building Safety Division, (907)343-8301.

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<sup>1</sup> *How to Get a Municipal Business License*, Municipality of Anchorage Web Site, [http://www.muni.org/Assembly2/business\\_license.cfm](http://www.muni.org/Assembly2/business_license.cfm)

<sup>2</sup> *Contractor Licensing*, Municipality of Anchorage Web Site, <http://www.muni.org/bsd/licensing.cfm>

## Appendix G Contract Background Information<sup>1</sup>

1. **Purpose**
  - a. While there is some information below that is not specific to the use of contractors to provide a service to the UMC Chugiak, it is included in order to provide a broader overall picture of contracts.
  - b. All information is taken from the *GCFA Legal Manual - 2005-2008 Edition*.
2. **Definition of a Contract.** A contract is a promise or set of promises constituting an agreement between the parties that gives each a legal duty to the other and also gives each the right to seek a remedy for the breach of those duties. It is the total legal obligation that results from the parties' agreement and a promise or set of promises for the breach of which the law in some way recognizes a duty. In order to be legally binding, a contract at a minimum must include: competent parties, subject matter, legal consideration (something of value given), mutual assent, and mutual obligation to perform.
3. **Written Versus Oral Contracts.** One common misconception is that a contract must be written to be valid. Generally, oral agreements (which have competent parties, subject matter, legal consideration, mutual assent, and mutual obligation to perform) constitute legally binding contracts. There are, however, certain types of contracts which must be in writing in order to be legally binding (e.g., a real estate agreement). If you have any questions regarding whether a particular contract must be written, it is always best to consult an attorney. A written contract is generally preferable because the terms exist on paper instead of merely in the parties' minds.
4. **Function of a Contract.** A clear written agreement between the parties lets each party know what to expect and helps to avoid or resolve future disputes. Without such a written agreement, excess funds may be expended, conflicts may be difficult to resolve, and future working relationships may be hindered.
5. **Types of Contracts.** As discussed above, a contract can be either oral or written. In addition, a contract can be an expressly stated promise communicated by language (e.g., A promised to paint B's garage in return for B's promise to pay A \$250), or implied by the parties' conduct indicating that they agreed to be bound (e.g., A fills his car with gas at B's gas station. There is an implied contract for the purchase and sale of gas).
6. **The following are examples of types of contracts churches may encounter**
  - a. **Purchase Orders**, which are generally used for items such as office supplies, printing, and computer equipment. Terms and conditions (which typically favor the seller) are preprinted on the form. Remember: You can negotiate these terms if you desire. Be sure you understand the terms and conditions.
  - b. **Honorarium letters**, which are used for services of limited duration rendered by an individual for which no set standard of quality is to be dictated and which does not include the creation of copyrightable work. Examples of such services are one-time speeches, lectures, teaching engagements, and musical or other performances.
  - c. **Independent Contractor Agreements**, which are used for services rendered by an individual. For such an agreement to be entered into, the services performed by the individual

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<sup>1</sup> General Council on Finance and Administration of the United Methodist Church, *GCFA Legal Manual - 2005-2008 Edition*, Copyright 2001, revised March 2005. All rights reserved.

[http://www.gcfa.org/ls\\_legalmanual.html](http://www.gcfa.org/ls_legalmanual.html).

must meet the twenty factor balancing test used by the IRS to determine whether one has been properly classified as an independent contractor as opposed to an employee [see *Appendix A* of this policy]. Some examples of services provided pursuant to such an agreement are: video production, manuscript acquisition, and production or consulting services.

- d. **Specialized Contracts**, which are used for services rendered by individuals or companies. Specialized contracts may be drafted when no other form of agreement (i.e., purchase order, independent contractor agreement) fits the situation at hand. The types of services which may be provided under such an agreement are similar to the types of services which may be provided pursuant to an independent contractor agreement.
  - e. **Hotel and Conference Contracts**, which are used for providing accommodations for meetings and conferences. These agreements are types of specialized agreements. Generally, the hotel or conference center will have a contract form which they will provide. However, you should review this form and negotiate any revisions you deem necessary for your event as well as the financial well-being of your organization. For example, look for oppressive, one-sided cancellation, indemnity, and attrition clauses as well as clauses regarding overflow of rooms at off-site locations, clauses concerning the hotel or conference center's responsibilities pursuant to the Americans with Disabilities Act, and clauses requiring large advance deposits. Also be aware you may need separate transportation, catering, audio-visual, or parking contracts.
7. **Legal Council.** Contracts are legally binding documents. It is important to consult with outside legal counsel in the drafting, negotiating, and signing process!
  8. **Terms to Include In Contracts.** Certain items should generally be included in contracts. Examples of these items are:
    - a. The legal names of the parties, titles, and their addresses,
    - b. start and end dates,
    - c. whether the contract is renewable,
    - d. a clear statement of the services or product to be provided,
    - e. a clear indication of the cost of the service or product including any installment payment schedules
    - f. a clear statement of the ownership of any copyrightable material,
    - g. a clear statement regarding whether any expenses shall be reimbursed and, if so, to what level,
    - h. the parties' taxpayer identification numbers (for a corporation this is its employer identification number),
    - i. a clear statement regarding termination,
    - j. a clear statement regarding warranties provided, and
    - k. a clear statement of how disputes will be resolved (arbitration, mediation).
  9. **Contract Authority and Authorization**
    - a. It is essential that whoever signs a contract understands by what "authority" s/he is acting. The Local Church section discusses the important Disciplinary authorization requirement for contract to purchase and sell real property as well as mortgaging and building on property. Likewise, when a church wants to purchase a new organ, a new set of pews, a photocopy machine or even office supplies, it is essential that the proper resolutions, authorization, and/or budgeting steps have been taken.

- b. Whenever the pastor, staff, or officers of the church sign a contract, they should first make certain that they are authorized to bind the church by the *Discipline*, the church's bylaws and other governing documents. When signing a contract, the signatory should indicate his or her position and title to reduce any confusion or personal liability for the contract. For example, the president of the Trustees should sign:

By:

Jane E. Jones

President, United Methodist Church of Chugiak Board of Trustees

An individual should never sign his or her name without a clear indication that s/he is signing as a representative of his/her church. The signer's office or position, along with the name of the church, should appear below the signature.

10. **Amending an Existing Contract.** If you have an existing contract and need to change some of its terms, an addendum to the existing contract is needed. It should clearly identify the agreement it is amending, identify the items being amended, outline the amendments in detail, specify that all other items not amended remain in full force and effect, and be signed and dated by the parties.
11. **Dispute Issues.** Sometimes, despite your best efforts, contract relationships go sour and serious conflict erupts. It is at this point that a well-drafted, detailed contract can be your ally as you can look to it to see what each parties' obligations are as well as what is to happen in the event of a dispute (i.e., Can you terminate? Can you require the other party to provide the partially completed product? Do you have an obligation to arbitrate the dispute? If you decide to resort to litigation, must it take place in a particular jurisdiction?). Generally, litigation should be a last resort option because it is costly both in terms of financial resources and human resources. Meditation can be a helpful, inexpensive way to resolve these conflicts, and is scripturally based (see Matthew 18:15-120).
12. **Important Tax for Independent Contractor Information**
  - a. The IRS requires that the payor issue a 1099-MISC to any nonemployee worker paid \$600.00 or more during the year. This would typically arise under an independent contractor agreement or for an honorarium.
  - b. Note: The 1099-MISC is not used for payments to corporations or to employees.