

## INDEPENDENT CONTRACTORS

Effective November 22, 2018, the Alaska Workers' Compensation Act was amended to include a statutory definition of Independent Contractor. In order to be considered an independent contractor under AS 23.30.230(a)(12) for purposes of workers' compensation liability, a person must **collectively** meet **all** the following criteria:

- ◆ Has an express contract to perform services;
- ◆ Is free from direction and control over the means and manner of providing services;
- ◆ Incurs most of the expenses for tools, labor, and other operating costs;
- ◆ Has an opportunity for profit and loss from the services performed;
- ◆ Is free to hire and fire employees to help perform the contracted services;
- ◆ Has all business, trade, or professional licenses required by federal, state, or municipal authorities of an individual or business engaging in the same type of services;
- ◆ Follows IRS requirements by obtaining an employer identification number and filing business income appropriately;

### AND must also meet TWO of the following criteria:

- ◆ Is responsible and subject to liability for completing the work, or maintains liability or other insurance policies necessary to protect the employees, financial interests, and customers of the business;
- ◆ Maintains a separate business location or business mailing address from the individual or entity for which the services are performed;
- ◆ Provides contracted services for two or more different customers within a 12-month period, or engages in business advertising, solicitation, or other marketing efforts to obtain new contracts.

It is important to note Alaska Workers' Compensation Act requirements are independent from those of the Internal Revenue Service or any other federal, state, or local regulatory agency. It is possible for the same workers to be considered independent contractors under one or more laws, but employees under other laws. There are significant financial risks to incorrectly classifying an employee as an independent contractor. It is in the employer's best interest to request guidance.



## State of Alaska Workers' Compensation Division SPECIAL INVESTIGATIONS UNIT

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(907) 269-4002

## WORKERS' COMPENSATION FRAUD IS A CRIME THAT HURTS EVERYONE

**The Fraud Hotline is open Monday  
through Friday, 8:00 am to 5:00 pm.**

**1-888-372-8330**  
**[wcfraud@alaska.gov](mailto:wcfraud@alaska.gov)**

**For comprehensive workers' compensation resources, please visit the division's website at:**  
**<http://labor.alaska.gov/wc>**



## State of Alaska Workers' Compensation Division



## What Employers Must Know About Workers' Compensation Insurance In Alaska

