



Having a Manager for a 4-H Food Stand is a common practice that helps 4-H Council/4-H Groups insure proper food safety for serving the public, efficient food stand management and increased profits for the 4-H group.

Careful consideration should be given to the way this happens in a local unit. Here are some options:

### 1) Volunteer

- a. No payment for the service.
- b. Volunteer gifts of limited value are not taxed as income.

### 2) Stipend Volunteer

- a. Pay must be \$500 or less. (Pay of over \$500 makes the person an employee and they must be treated as such (payroll contributions, etc. see option below))
- b. Reimbursements for expenses are considered taxable income and are part of the \$500 maximum.

### 3) Independent Contractor

- a. The written contract cannot exert too much control to meet the IRS independent contractor test (what to serve, when to be open, hours the manager has to be there...)
- b. If they are paid over \$600 a 1099 has to be issued
- c. The written contract could stipulate a bonus or percentage of profit arrangement.

#### IRS Information

- 1) Someone is not an independent contractor if they perform services that can be controlled by an employer (what will be done and how it will be done). This applies even if given freedom of action. What matters is that the employer has the legal right to control the details of how the services are performed.
- 2) Facts that provide evidence of the degree of control and independence fall into three categories\*:
  - a. **Behavioral**: Does the company control or have the right to control what the worker does and how the worker does his or her job?
  - b. **Financial**: Are the business aspects of the worker's job controlled by the payer? (these include things like how worker is paid, whether expenses are reimbursed, who provides tools/supplies, etc.)
  - c. **Type of Relationship**: Are there written contracts or employee type benefits (i.e. pension plan, insurance, vacation pay, etc.)? Will the relationship continue and is the work performed a key aspect of the business?
- 3) Best Practice - Have them submit a bid outlining the work they will perform.

#### **4) Employee**

- a. As an employee, with payroll tax withholding and reporting.
- b. 4-H Council is under the Extension Council, so the 4-H Food Stand Manager can be an Extension Council Employee, paid through the 4-H Council or 4-H Group reimbursing the Extension Council. This would have to be preapproved by the Extension Council Board.
- c. Have a clear position description with expectations.
- d. Bonus payments or a percentage of the profit arrangement to an employee would be subject to payroll tax and withholding.

\* <https://www.irs.gov/businesses/small-businesses-self-employed/independent-contractor-self-employed-or-employee>

#### Resource People:

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