

# Nurse Becoming Ep.098 - 1099 vs W2 Employment - What's the D...

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## SUMMARY KEYWORDS

w2, pay, employee, contractor, organization, employment, benefits, withheld, positions, taxes, pros, employment agreement, status, technically, tax, nps, employer, consult, hours, contract

## SPEAKERS

Amanda Guarniere

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### A Amanda Guarniere 00:01

Hello, hello, welcome back to The Nurse Becoming Podcast. It's your host, Amanda Guarniere. Thank you so much for being here with me today. Apologies in advance I've got a little cold but the show must go on and I am recording nonetheless. But I will try not to cough or sneeze or sniffle in your ear because that is rude. Today we are going to talk about 1099 contractor employment versus W2 employment. This is a question that I get asked a lot, specifically from NPS because we're definitely noticing that there are more and more positions that are being developed as 1099 contractor roles compared to W2 employment. So I think that this is definitely a topic that most NPs need to be familiar with. And back in episode 70, I did talk about different benefit and contract details that you need to know as an NP. But in this episode, I'm going to talk specifically about the difference between 1099 and W2 status. And keep in mind, as always, I'm not an attorney, I'm not a tax professional... So you you do all always need to consult those professionals regarding regarding the specifics. And these different employee employment statuses have different implications both in a legal sense, and from a tax accounting stance. So just keep that in mind and always consult the appropriate experts for official professional advice. So let's start with talking about W2 employment and what that really means and kind of some pros and cons. So W2 is also known as employee status. Okay, something that is really important to realize is that when you're a 1099 worker, you're not actually an employee. So terminology is important here. So being a W2 employee means that you are an official employee of the company or the organization, and that you're subject to the typical employment laws. Okay, so, in this scenario, your employer will typically withhold your payroll taxes, your income taxes, your Social Security and Medicare taxes. And as a result, you will be issued a W2 slip at the end of the tax year that you will file with your taxes. W2 status is the most common and traditional type of employment when you worked as a nurse, or in other roles you most likely or a W2 employee. But perhaps you weren't really aware of other types of employment situations. So you may not realize that that's, that's what you were. Another thing about W2 status because you're an employee, if you get laid off from a W2 employee position, you usually qualify for unemployment benefits. Now, there are definitely some pros of W2 employment that you'll want to keep in mind as you're kind of thinking what scenario may be best for you. And those pros usually include benefits. So a lot of W2 positions will also - and

many of them are obligated under employment law to provide different types of benefits, depending on the size of the employer. And I won't dive too much into this but as a W2 employee, even working you know, part time hours, you should expect some sort of benefits and especially at full time hours, they very well likely may be legally required. So benefits such as health insurance, paid time off those types of things. And for more details about the specific benefits you should be considering and asking for in a contract or in a position as an NP, I do encourage you to scroll back and listen to episode number 70. Another benefit or another pro of W2 employment is that based on your employment agreement, you will have guaranteed contractual hours. So if you sign a contract or an employee employment agreement for a full time W2 position that's 40 hours per week, you by contract are pretty much guaranteed that 40 hours per week unless changes are made to the employment agreement. Okay. And you'll hear when we talk more about 1099 that those hours are not necessarily guaranteed. Another pro is that you are characterized as an employee under different labor laws. So that means that you have some additional protections. For example, you know, discriminatory practices are not permitted of employees, there are different protected classes. If you are pregnant, for example, you know, based on our labor laws, and I am talking specifically in the United States, by the way, you are subject to those labor laws, and most of them are in your favor as the employee. Okay. And the other main pro of W2 two employment is that you don't have to worry about withholding your own taxes, this is something that can be overlooked, that maybe we take for granted in this W2 world. But you know, the W2 status, your taxes get withheld. So you don't have to worry about putting aside the money that will eventually go back to the government and you'll file your taxes and depending on whether you, your employer withheld the right amount or not determines whether or not you pay in or pay or get a refund, that's very oversimplified. So of course, consult your tax professional. But if you don't have an employment situation, if you're not a W2, if you are a contractor, you're getting paid the gross amount, meaning the total amount that you've earned, and then it's your responsibility to put those taxes aside. And at the end of the tax year, when you file your taxes, you most, in most cases will have to pay in from that money that you put aside. But I can't say this enough, definitely consult a tax professional, especially if you are 1099 because it, it gets a little bit complicated to do your taxes yourself in that scenario. So the other main type of employment and like I said, I kind of hesitate to even call it employment quote unquote, because you're technically not an employee in this scenario, is 1099, also known as Independent Contractor Status. Okay, independent contractor status. And the reason why it's called 1099 is because that's the form that you get from the the person you're contracting for. See, I almost said employer, but it's technically not your employer, but whoever you're working for, they issue you a 1099 form at the end of the tax year, and that's what documents your pay. And that's what you file with your taxes. So that's where the 1099 number or term comes from. So if you are working as a 1099, or an independent contractor will use these terms interchangeably, you're technically not an actual employee of the organization, but rather, you are self employed and serving as a contractor. Okay, you're self employed and serving as a contractor. This means that you likely will not be eligible for any benefits, because you don't have a typical employment agreement. There certainly are exceptions to that rule, especially for certain organizations who maybe employ a lot of or have a lot of 1099 contractors who are NPs, perhaps in their contractor agreement, they have worked in some sort of benefit, but there's certainly no obligation. And I wouldn't have any expectations of benefits, okay. You're also not bound to any contracts or any hours guarantee. So you might, you will very likely have a contract between you. But the contract is going to be much different than if you were actually an employee of that company. So they could give you an expected number of hours. But there's not going to be any guarantee. And it's almost like, a month to month type of of situation. So if they, you know, all of a sudden have a reduction in force, or they don't need you anymore. You know, you could have your hours cut, or you could be, you know, have them

greatly reduced or eliminated completely. And you as the worker don't really have any sort of fallback to say, you know, "Hey, we had we had an agreement, you can't tell me out of nowhere, that, that you don't need me anymore". The company that you work for will pay you the gross amount of your pay. What that means is that there won't be anything taken out. So if you were paid, you know, \$50 an hour and you work 40 hours in that month, then your check is going to be for \$2,000. Whereas if you were in a W2 situation, it would be \$2,000 minus the taxes and other things that were withheld. So what that means isn't that you were making more money but rather that you are responsible for putting aside a good chunk of that of that gross amount so that you have money aside for when you need to pay your taxes. Okay? So, as a contractor, like I said, you're responsible for setting aside your own taxes and paying them when they're due, which may be once a year with your tax return. Or if this is a long term deal for you, if you're in an independent contractor role for more than a year, you may be required to pay quarterly estimated taxes depending on a few different factors that you will discuss with your accountant, right? So you know, I'm not a tax expert, I'm not an accountant, I have an accountant who I pay to do all this for me. So I won't go into too much detail here. But to give you some perspective, yes, it will be really nice to see that total amount of your rate of pay, multiplied by your hours in your check. But it is really up to you to estimate how much you will need to be putting aside for taxes. Because depending on how much you're making, if you're not putting that money aside, you could be hit with a pretty significant, like five figure tax bill once a year, and that's usually not something that people can easily swing without planning ahead. Okay. And the other thing to consider is that, in addition to your typical taxes, like your typical tax bracket, that you will, the percentage that you will have to with withhold, there's also an additional self employment tax, that you will be subject to because you'll technically be self employed. So for this reason, 1099 hourly pay, I think should be a smidge higher than W2 hourly pay to make up for that additional responsibility that you will have as a self employed person. And, since 1099 positions usually aren't paying you benefits, that is is fair. You know, their their cost as the organization is going to be less, if they don't also have that large percentage of of your compensation package that they're also paying for your benefits. Okay, because keep in mind when you're working as a W2 employee, let's say you're a typical salaried NP at, you know, hospital organization... Let's say your salary is \$100,000 per year. Yes, they're paying you the \$100,000 per year. But they're also paying probably between \$20,000 - \$40,000 per year in benefits for you, right. They're paying your your portion or their portion of your health care premiums. They're paying, you know, maybe a contribution to your retirement match. They're paying they're side of your short term and long term disability insurance. They're you know, they're all sort of they're paying for the additional employees when you go out on PTO. So there's a additional line item cost to them. If you're an employee, there are benefits to them, of course, but I want to draw contrast, because if you're a 1099, and there are no benefits, and your salary is also working out to around \$100,000 per year, from the organization perspective, that's a cost savings for them because they're not paying your benefits. So as a result, I'm not saying that they need to pay you the entire difference in your salary. But that should give the organization some wiggle room to be able to pay more for you as a 1099 if that's what they're, if that's what their setup is, okay. And we said as a 1099, your the organization that you work for is not responsible for paying any of your payroll withholding, your unemployment insurance, parental leave benefits or any state mandated payments, because those are really only things they have to do for employees. So keep that in mind that you won't have these benefits, nor will you have those things taken out of your check. So let's get into the pros of contractor status. The main pros that I've identified, the first one is schedule flexibility. Usually, as a contractor, you're going to be more in a self schedule type of situation, as opposed to a mandated schedule. Now the organization could say this is the hours when we work and this is when we expect you to take your shifts because these are the hours that were open so there could be that type of stringency. But technically, technically

organizations can't. They can't mandate certain things of contractors or else the arrangement could be interpreted as employment. In which case, they'd have to pay you as a W2. So just kind of keep that in mind. And, and so that ends up being a pro of a lot of these contractor positions is schedule flexibility. So you might be self scheduling and picking up shifts as opposed to being assigned. Another benefit is you can deduct certain expenses from your taxes. So, again, talk to your tax professional about this, but because you're in the self employed status, you know, you might be able to deduct your mileage to and from work or if you have an office inside your home where you're charting, like if you're a telehealth provider, for example, you might be able to claim that as a business expense or your technology or the clothes that you have to wear if you have to wear scrubs, that type of thing. So those could potentially give you some tax savings. And also, you know, the third pro, there's typically not as much supervisory oversight. Okay. So there are things that the organization that you work for, like I said, with the scheduling, they technically cannot expect certain things from you, because you could potentially claim employee status based on how you're being treated. And based on those expectations, in which case, you know, the organization would get in trouble for having you under the wrong under the wrong designation. If you pay someone as a contractor, who's technically doing the duties, and having expectations of an employee, there can be pretty significant penalty to be organization. And, you know, lastly, I want to say I've been seeing more and more nurse practitioner positions that are 1099 opportunities. These are usually positions like home assessments, telemedicine for different startup companies, or very part time specialty coverage at private practice. This isn't something that you can request from a more conventional employer or organization. Okay, so I think that that's this is important to note that it's pretty uncommon that you're going to be asked, "Would you rather work as a W2 or contractor?" Usually the organization has predetermined this based on what their setup looks like. So I do want to make that clarifying point that yes, we're talking about pros and cons of these situations, but not because you're going to necessarily decide, but rather, you might be entertaining a few different job offers, and one might be 1099 and one might be W2. And, and as a result, this should play into your decision making process. Okay? And as a result, sometimes nurse practitioners can get confused and unsure about the type of employment they're being offered. So I think this is a great question to ask during the interview process, if it's not abundantly clear. If they don't start off, or if it's not in the job description, saying like, this is an employee position versus this is a contractor status. I think that sooner than later, it's absolutely okay to ask, "What type of employment is this?" You know, "What is this job classified as? Is this a contractor position? Or is this a W2 employment position?" and they should have an answer for you. It's possible that if you're working for a newer company, or a solo physician, private practice, that's never had an NP before, they could be trying to decide they may not know what they prefer to do. In which case, it's possible that this could be a negotiation point and could be up for discussion, in which case, I do recommend, you know, either consulting an attorney or a tax professional, so that you can weigh the specific pros and cons and also come up with a negotiation language and negotiation kind of package that works best in your favor so that you're not being taken advantage of. So hopefully, this is helpful. 1099 versus W2 employment. Hot topic! Not a lot of us really get this type of education. But like I said, these positions are becoming more and more common - the 1099 roles - the W2 employment is much more common. So hopefully, you'll be able to kind of have a good sense after this episode, what you think is the better scenario for you, if you're given the choice... Because like I said, it's not always it's not always a choice, but rather, you may be entertaining a few different offers that have a few different employment statuses. So hope this has been helpful. Please let me know if you have more questions. Or if there's anything more in particular that you'd like me to explore in this topic. I'm always open to suggestions. So you can

go ahead and give me a shout out or send me a direct message on [Instagram.com/theresumeRX](https://www.instagram.com/theresumeRX). And until next time, I hope you have a wonderful, wonderful week and can't wait to talk to you again soon.