



Planche • Politz • Ledet LLC  
*Beyond the Numbers*

October 3, 2011

Dear Client:

The Internal Revenue Service has introduced a new initiative called the Voluntary Classification Settlement Program. This program is designed to provide partial relief from federal employment taxes for eligible taxpayers that agree to prospectively treat contract workers as employees. The program allows for voluntary reclassification of workers as employees outside of the examination context and without the need to go through normal administrative correction procedures applicable to employment taxes.

In order to participate in this program, the taxpayer must meet the following criteria:

- Applies to taxpayers who are currently treating their workers as independent contractors or other nonemployees and want to prospectively treat the workers as employees.
- Taxpayer must have consistently treated these workers as nonemployees and must have filed all required Forms 1099 for the workers for the previous three years.
- Taxpayer cannot currently be under audit by the IRS, the Department of Labor or by a state government agency related to employment classification issues.

If you participate in the program, you will be required to adhere to the following guidelines:

- Prospectively treat the class of workers as employees, for future tax periods.
- Taxpayer will be required to pay 10% of the employment tax liability that may have been due on compensation paid to the workers for the most recent tax year.
- Taxpayer will not be liable for any interest and penalties on the liability.
- Taxpayer will not be subject to an employment tax audit with respect to the worker classification of the workers for prior years.
- Taxpayer agrees to extend the statute of limitations on assessment of employment taxes for three years for the first, second, and third calendar years beginning after the date on which the taxpayer agreed under the program closing agreement to begin treating the workers as employees.

Please contact us if you have questions regarding this program or would like to submit an application to the Internal Revenue Service.

Sincerely Yours,  
PLANCHE • POLITZ • LEDET, LLC  
Certified Public Accountants & Business Advisors

A handwritten signature in black ink, appearing to read 'Randy Ledet', written in a cursive style.

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