

Independent Contractor (IC) Checklist

Items to Consider Before Adding an IC

1. Why bring on an Independent Contractor?

- Grow revenue for the agency
- Handle overflow of current business opportunities
- Diversify portfolio of business by expanding product/niche offerings (via specializations)
- Other reasons (see notes)

NOTES:

Ask yourself; Do you need an IC or an administrative assistant? Or should you be outsourcing back office, marketing, social media, etc.?

Refer to attorney/CPA for guidance on how adding an IC, assistant or employee* will impact tax status for your business in your state.

Be familiar with the Internal Revenue Service (IRS) rules as it relates to the states and federal government Independent Contractors (IC) versus employee laws. The IRS does not use the terminology subagent, which is used by some host agencies within the travel industry. Items to consider when hiring ICs include:

- What - you cannot tell an IC what to do
- Where - you cannot tell an IC where he/she can work
- When - you cannot set the IC's work hours
- How - you cannot tell an IC on how to do their job

Know what expectations are desired by the subagent. Choose wisely, a poor choice in a subagent can affect your agency and its reputation as much as a good choice can help you grow your agency and give you the support you are needing.

*For employees, income tax, Social Security and Medicare are withheld from wages paid, which is not applicable to IC.

2. Considerations to look for in an IC

- Personal travel experience (are they experienced or new to the industry?)
- Area(s) of specialization
- Plans to work full-time or part-time
- Possess strong sales ability
- Personable
- Fits agency culture and values
- Good references that have been checked
- Goals / results-oriented and self-motivated
- Technology aptitude
- Potential book of business/network opportunities

3. Financial compensation plans – Examples: 60/40, 70/30, 80/20, etc. based on your business model

- Consider how much commission you will pay the subagent if you give them the lead
- Consider how much commission you will pay if the subagent brings in the lead
- Consider a higher commission tier when the subagent reaches a set amount in sales
- Consider if compensation split will be based on original supplier commission or agency commission
- Consider if you will subsidize or collect a monthly fee* (based on agency internal expenses vs. initial sales)
- Consider errors and omissions
- Consider a bonus program based on educational / specialization training or events leading to an increase in sales
- Recommend an IC be responsible for tracking their earned commissions in a timely fashion (timeline based on your agencies host guidelines or your own payment schedule)

*IC monthly fee could cover business email address; additional phone line; agency business cards; office management tools; training materials and other agency-related expenses. Make sure your IC is aware of what the fee will cover.

1. 4. Independent Contractor legal agreement suggested inclusions*:

- Terms of the agreement*
- Responsibilities
 - Record sales and related transactions
 - Business expenses
 - Professionalism
- Compensation
 - Commission splits and terms of payment
- Other considerations
 - Terminations of agreement (include how much notice one party must give the other party before leaving or termination)
 - Compensation and/or reimbursement
 - Ownership of clients

5. Owner / Independent Contractor training path

- What level of support are you planning on providing?
- How often will you provide mentor/coaching meetings?

6. 2. Considered Risks

- One IC may take other ICs with them and start their agency
- Be prepared that the relationship can become a temporary arrangement
- Errors and omissions- Does it cover your IC's?
- Reputation damage

Summary Notes:

- Adding an Independent Contractor (IC) or employee depends on the business model.
 - Recommendation: Create a training plan for your new IC. Do not leave it to chance. Decide who pays for what. IC should have some commitment to the plan even if you support some costs.
 - Guide your IC to any included education opportunities. Do not assume they know where to find and if they should participate. You have to be involved and direct.
 - Consider adding a disclaimer to your IC agreement based on your agency business model, including split or other agreed upon arrangements. Review with your legal advisor.
 - This is a checklist and not considered a legal document.
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