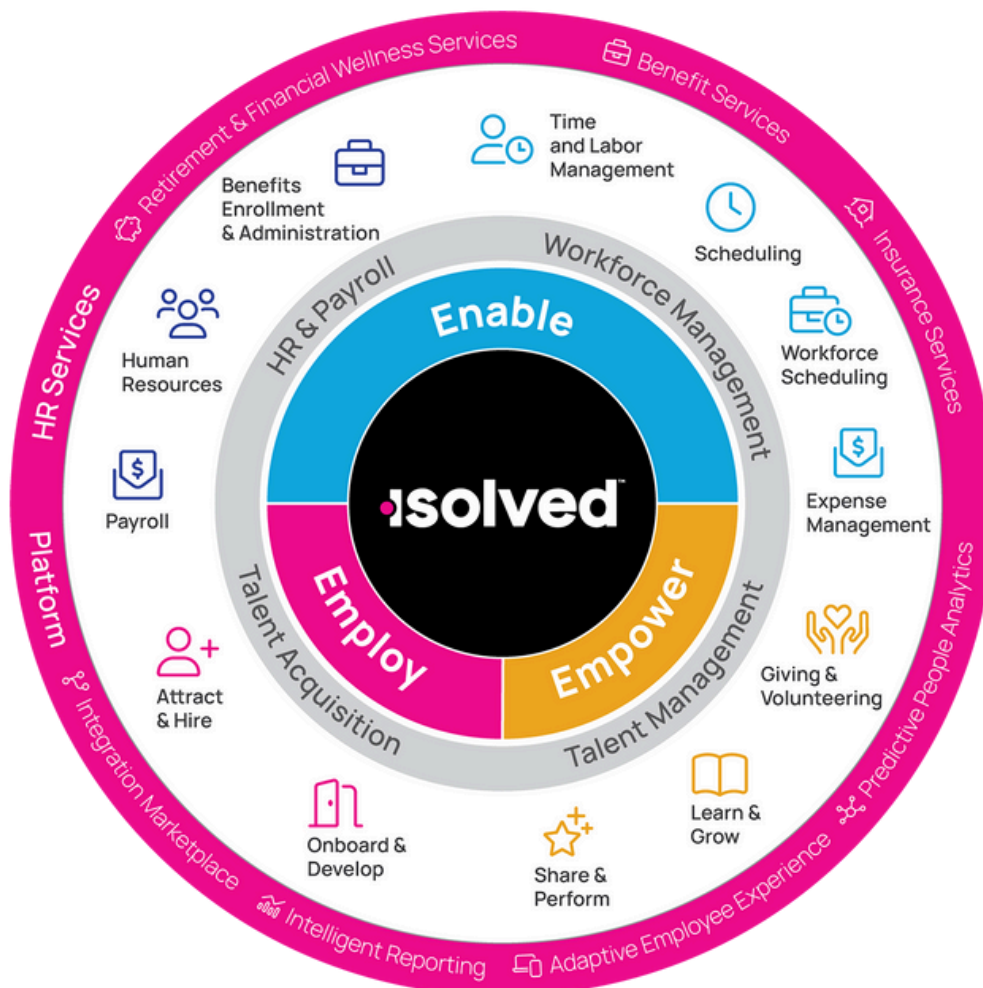




## SOLEX HUMAN CAPITAL MANAGEMENT (HCM)

Solex HCM is a full service workforce management consulting firm based in Stoughton, MA. Founded in 1998, Solex couples an industry leading HCM software technology with white glove implementation, dedicated customer support and ongoing training. We offer a deep understanding of the isolved HCM solution and can service all of your HR and payroll compliance and regulatory needs throughout the US.





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## **1099 Independent Contractor vs W2 Employee**

When determining whether a worker should be classified as a W-2 employee or a 1099 independent contractor (IC), employers must follow federal guidelines and be aware of state-specific laws, which may impose stricter criteria.

### **Federal Standards (IRS)**

At the federal level, the IRS uses a three-factor test based on:

Behavioral Control– Does the company control how the work is done?

Financial Control– Does the company control financial aspects like reimbursement and tools?

Type of Relationship – Is the work ongoing and essential to the business?

### **The Department of Labor (DOL)**

The DOL uses a similar economic reality test, focusing on whether the worker is economically dependent on the employer. If the employer exercises significant control and the worker is economically dependent, the worker should likely be classified as a W-2 employee.

### **State-Specific Rules**

Some states apply stricter tests than the federal government. For example:

*California, Massachusetts, New Jersey* use the ABC Test, where a worker is presumed to be an employee unless all three conditions are met:

A: Free from control and direction

B: Performs work outside the usual course of business

C: Customarily engaged in an independent trade or business.

Failure to meet any one of the ABC conditions typically requires classification as a W-2 employee.



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## **Paying 1099 Independent Contractors Through Solex HCM**

Solex HCM supports paying 1099 independent contractors through its payroll platform—even though they are not W-2 employees—by handling them as a distinct group within the system letting you pay them through payroll (direct deposit or check) without withholdings, while seamlessly handling tax reporting and filings. It offers the speed of payroll and the compliance of proper contractor treatment. Here's how that works:

### **Contractor Setup**

Onboard contractors by collecting a completed W-9 form (with SSN or EIN), then enter them into Solex and designate them specifically as 1099 contractors or “independent contractors” rather than employees.

### **Payroll Processing**

Solex includes both W-2 employees and 1099 contractors—or just contractors—depending on needs. Contractors can be paid via direct deposit or check, receiving the full gross payment with no payroll tax withholding (i.e., no federal/state income tax, Social Security, Medicare, or unemployment tax).

### **Records & Reporting**

Payments to contractors are tracked separately from employee wages. Solex maintains pay history for both W-2 and 1099 workers and automatically generates 1099-NEC forms at year-end for contractors.

### **Tax Filing & Compliance**

Solex's services include federal and state tax payments and filing. That means they'll prepare, file, and deliver the relevant 1099-NEC forms to contractors and the IRS.

**Contact your Solex HCM Customer Support Representative with any questions.**



## **Worker's Compensation Pay As You Go**

Solex HCM through its partnership with the iSolved HCM platform, offers a SmartPay integration that enables pay-as-you-go Workers' Compensation payroll processing. Here's how it works and why it's beneficial:

### **What Is "Pay-As-You-Go" Workers' Compensation?**

Traditional workers' comp premiums are estimated upfront based on projected payroll and reviewed at year-end which often leads to adjustments (and surprise payments/refunds). With pay-as-you-go, premiums are calculated and deducted in real time based on actual payroll data, giving you:

- Improved cash flow predictability – premiums on what your actual payroll
- No up-front deposits on estimated premiums
- Elimination of large audits or year-end adjustments
- Simplified accounting and budgeting

### **Benefits for Employers**

- Avoid year-end surprises: No big balloon payments or refunds
- Streamlined processes: Premium reconciles each pay period
- Better cash management: Actual payroll drives actual charges
- Lower audit risk: Premiums align continuously with wages

### **Getting Started**

To set this up through Solex HCM:

- Confirm that SmartPay is available and enabled in your iSolved plan
- Contact your Solex representative to enable the integration
- Once configured, the system will begin deducting comp premiums based on each payroll cycle

**Bottom line: Through the SmartPay integration, Solex HCM and iSolved deliver a seamless, real-time pay-as-you-go workers' comp solution that aligns premium payments with actual pay—offering greater accuracy, peace of mind, and cash flow control.**



## A Message from the Prez

Worker misclassification is something so common with employers today. Often business owners think it's just an option they get to choose. Unfortunately this is very wrong. Misclassifying workers as independent contractors instead of employees not only incorrectly taxes their payments for work performed, but can also exclude them from benefits they should be entitled to. When caught, this mistake can become very costly to the business.

Solex's spotlight this month on workers compensation "pay-as-you-go" or "paygo"

provides employers with flexibility by more accurately calculating premiums each payroll, freeing up cash flow by eliminating up front deposits and saving time by reducing, if not eliminating, policy audits.

These advancements ensure that businesses like yours remain compliant and ahead of the curve in a competitive and ever-changing landscape. We're proud to offer tools that not only meet industry standards but redefine them, helping you manage your workforce with unparalleled ease and efficiency.

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“Powerful People, Powerful Platform.”

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## More From Solex HCM

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