

# INDEPENDENT CONTRACTOR AGREEMENT



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# Independent Contractor Agreement Overview

**WHAT IT IS:** This is an agreement between you and someone else you hire as an independent contractor to provide services to your clients on behalf of your company. For example, if you need to bring on another contractor to help with a particular client or if you are trying to expand your company into an agency model or just need someone to provide one time or project based services for your company.

**WHAT IT DOES:** This agreement sets expectations and outlines terms for you and your hired independent contractor. It sets you up for growth, allowing you to take on more clients, have someone fill in for you, and/or take you towards an agency model. Among other things, this agreement:

- Contains details on the nature of the services your independent contractor will provide you or your clients
- Outlines how and how much you'll pay them for their services
- Protects you from your independent contractor poaching your clients

**WHY YOU NEED IT:** To help prevent misunderstandings and disagreements with your independent contractor. Without a signed agreement like this in place, your contractor could potentially poach your clients, which could be very costly to your business.

**WHEN TO USE IT:** Every time you bring on an independent contractor to work with you or your clients. (Is the person you're bringing on an independent contractor or an employee? To understand the difference between the two, read this IRS article. If you're bringing on an employee, use the "Employment Agreement" described below.)

# Clause-By-Clause Explanations and Instructions

**Editing Instructions:** The first time you go through the template, customize it to your business according to the instructions below. Sections that should be filled in, altered to suit your needs, or deleted if they're not applicable to you are in **red**. Leave the signature section at the bottom and the **[Client Name]** in the recitals (the part between the title and the sections) blank for now. Then save the document – this will be *your* template going forward. Each time you bring on a new client, use your template and update the recitals with the client's name where it says **[Client Name]**.

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## TITLE AND RECITALS

On the top of the page, insert your business name in **[Company, LLC or Individual]**. The remainder of the Agreement uses the word “Company” so that you only need to change your business name here and at the signature line.

In the part between the title and the numbered sections, insert your business name in **[Company, LLC or Individual]**. The remainder of the Agreement uses the word “Company” so that you only need to change your business name here and at the signature line. When you bring on a new client, insert the client's name where it says **[Client Name]**. Client Name can be an individual, business name, or LLC. The remainder of the Agreement uses the word “Client” throughout.

## 1. Services of Contractor

**Purpose:** The scope of project clause defines the scope of work the Contractor needs to complete for a project or set of services. This is where you detail the exact expectations of your agreement. The rest of the agreement can be treated as the same terms over and over. Here is where you will do the most customization for each specific agreement.

**Instructions:** Be as detailed as possible in typing in all of the duties and expectations of the contractor.

## 2. Payment

**Purpose:** This provision explains payment that will be paid to Contractor. This clause is on a project basis. Additionally, you may provide that you pay half up front and half at the end. There is alternate language at the end of this agreement for hourly.

**Instructions:** Edit to the specifics of your deal whether project based or hourly.

## 3. Independent Contractor

**Purpose:** The purpose of this provision is to spell out in black-and-white that the relationship between the Company and Contractor is that of an independent contractor. Independent contractors and employees have different rights, taxes, and categorization under the law. Additionally, companies are liable for certain acts of employees-- but not for independent contractors. This provision clears up any confusion on the Contractor's employment status.

**Instructions:** None.

## 4. Expenses

**Purpose:** This is part of making clear that the contractor is just that (as opposed to an employee) and to ensure contractor is paying own supplies and expenses.

**Instructions:** None.

## 5. Time is Of the Essence

**Purpose:** This clause is optional but super important if time is in fact of the essence (meaning due at a certain date/time). What this does is make a breach of the timing listed material. Some breaches of contracts are different than others. In other words, you would potentially have recourse if they fail to meet the timeline agreed upon. This is case by case but this clause will be vital if timing is important so be sure to state it.

**Instructions:** State the date of completion in Section 1 if you are using this clause.

## 6. Client Cancellation.

**Purpose:** If the Client cancels the project that the Contractor is contracted to assist with, the Contractor will not be entitled to additional payments. However, it is your Company's duty to try to compensate the Contractor pro rata for the work already performed. You should of course try to compensate all parties in good faith. This clause is designed to give you options if client cancels and you have no money to spread around to contractors.

**Instructions:** None.

## 7. Termination

**Purpose:** Under this provision, either party may terminate this agreement any time. If the Contractor cancels, the Contractor is not entitled to any more payments. If the Company cancels, the Contractor shall be entitled to compensation for the work already performed--but, the Contractor will not be paid until the Client has made their final payment.

**Instructions:** None.

## 8. Indemnity

**Purpose:** An indemnification clause assures that the Contractor will defend your Company against all claims brought against you related to the services performed for your client. To indemnify means to "defend" or "hold harmless," so here, the Contractor agrees to cover your Company losses if they do something that causes you harm or causes a third party to sue you. Think of this clause as your safety net against claims brought against your Company as a result of the Contractor's actions.

**Instructions:** None.

## 9. Confidential Information & Non-disclosure

**Purpose:** Underneath this confidentiality & non-disclosure provision, your Contractor cannot disclose Company or Client confidential information. Confidential information is not limited to banking information or launch dates but to any and all information that is not readily available to the public.

**Instructions:** None.

## 10. Non-solicitation & Non-acceptance

**Purpose:** Non-solicitation clauses for independent contractors are fairly standard. Here, the Contractor may not a) solicit the business of any Client or customer of Company, b) divert, entice, or otherwise take business from Company, c) solicit or induce a customer to terminate their relationship with Company, d) solicit or induce an employee or Contractor of Company to terminate their relationship with Company, or e) accept payment or directly or indirectly from Client for Services or similar services as contemplated under this Agreement. This clause is essential to protect your business as you grow. In a nutshell, it prevents contractors from poaching your clients.

**Instructions:** None.

## 11. Non-assignment

**Purpose:** Sometimes your Contractor might need a little extra help on a project. This clause allows them to utilize subcontractors on Company projects, but only if you give them prior written consent to do so. You probably hired this particular independent contractor for a reason, so this provision makes sure that your project is completed by the workers you specifically choose and allow.

**Instructions:** None.

## 12. Governing Law

**Purpose:** This provision clarifies what State this agreement is governed by. Contract law varies from state to state, so this clarifies what state laws this agreement was written by.

**Instructions:** Switch out [State] with the Company's home state.

## 13. Prevailing Party

**Purpose:** It is expensive to go to court. Under the unfortunate circumstances that your Company and Contractor get involved in a legal dispute, the prevailing party in the lawsuit shall have their attorney's fees paid for by the other party.

**Instructions:** None.

## 14. Dispute Resolution

**Purpose:** This sets out a detailed protocol if there is a dispute. This scheme is designed to start with mediation (a voluntary negotiation process) and then end in arbitration (where an arbiter is used to make the final determination instead of a jury using the normal court system). This can save you lots of money on legal fees.

**Instructions:** None.

## 15. Electronic Signatures and Counterparts

**Purpose:** To allow you and your client to sign this agreement with the same power and authority as signing in person.

**Instructions:** None.

## SIGNATURE BLOCK

**Purpose:** To clarify who is obligating themselves to these terms and also to actually take the final step in reaching agreement. All of your hard work does little good when you go to collect on an unpaid invoice if you do not have a signed copy of this agreement, so be sure to get it signed and keep a copy.

**Instructions:** Lastly, insert your business name, name of owner/president, and name of client in the signature block. It is important to always sign your name as a representative of the LLC and not just individually. This maintains the liability protection you are getting with your LLC. For example, sign: "Wesley Henderson, Member" (or otherwise designate you are signing on behalf of the LLC and not as an individual. Finally, have the contractor sign and date.

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## ***Alternate Language***

*Note: This language is alternate meaning it can be used instead of the existing language in the template.*

**“Payment.** *Company shall pay Contractor at a rate of [\$\_\_\_\_\_] per [hour/session].”*

**Purpose:** This is an alternate fee agreement that allows you to pay the contractor per hour for services.

**Instructions:** Input the contractor’s hourly rate.