

The Contractor Guardrails Checklist

Ten rules that keep a fractional team legal, run before you sign anyone and again once the work is live.

My company runs on fractional specialists, not full-time hires. Every person on my team runs their own practice. I'm one client on their list, not their employer, and I pay for the hours I need instead of a desk, a benefits package, and forty hours a week.

That model only holds up if the paperwork matches the real relationship, every time, for every person. This is the checklist I run against every contractor before the first hour of work, and the one I run again once the relationship has been live for a while, because arrangements drift even when nobody meant them to.

It comes straight out of the ten rules in chapter 8, No Fixed Weight. Read the caveat at the top before you fill in a single box.

READ THIS FIRST. None of the items below decide anything by themselves. No LLC, no invoice, no signed agreement outweighs the reality of the relationship. Regulators and courts look at who actually controls the work and whether the person is genuinely in business for themselves. This checklist keeps that reality honest. It does not make that reality true on its own, and it is a thinking tool, not legal advice. As of July 2026, it reflects the classification test described in chapter 8. The rulebook changes, so verify the current rules in your state and industry before you rely on anything here.

01 Run this before you sign anyone

Six things to confirm at intake, before the first hour of work gets done.

- ☐ **Real business, not a label.** Their own LLC or registered sole proprietorship, their own tax ID, their own license if the work requires one. They invoice you and file their own taxes.
- ☐ **Other clients, or the freedom to get them.** No exclusivity clause. No language that traps them into working only for you.
- ☐ **Their own tools.** Their own laptop, their own software, their own subscriptions. The person supplying the equipment is usually the person a court decides is actually in charge.

- ☐ **Scoped to a project or capped hours.** Five hours a week doing a defined job, not an open-ended role with no end in sight.

- ☐ **Written agreement, signed before work starts.** Scope, deliverables, payment terms, and a plain statement that this is an independent contractor relationship.

- ☐ **Check the state, not just the federal rule.** Confirm where your contractor actually lives and where the work actually happens before you assume one playbook covers you.

02 Run it again once the work is live

Four things to re-check on every relationship that has been running a while, because a clean setup can drift into a messy one without anyone deciding it should.

- ☐ **They still control how, when, and where.** You can set a deadline. You cannot set a schedule. If you are telling someone to log on at nine and log off at five, doing what your staff does, the label has stopped matching the arrangement.

- ☐ **They are not doing your own core work, full time, forever.** Watch the pattern of hiring someone to do the exact work your business sells to its own customers, on an ongoing basis. That is the single riskiest setup there is, no matter what the contract says.

- ☐ **1099s filed on time, every year.** The paperwork is not magic, but its absence is the first thing anyone looking for a problem will notice.

- ☐ **Nothing has crept toward exclusivity.** Confirm they still have other clients or the real freedom to take on more. A relationship that quietly became your only client for them is a relationship that quietly became an employee.

03 The riskiest pattern has a name

Call it what it is: a disguised full-time employee. Forty hours a week, forever, doing exactly what your business sells to its own customers, with a 1099 stapled to it instead of a W-2. There is no hour count where the label flips by law. There is only the real arrangement, and whether it matches what you are calling it. If a role reads like this checklist's rule three and rule seven both failing at once, stop and fix it before anyone else has to point it out to you.

04 Your state is not the federal rule

Some states have written specific protection into their law for genuine business-to-business contracting. Some states are a lot stricter than the federal standard. A setup that holds up fine in one state can fail in the next one over, running the exact same paperwork. Confirm the rule where your contractor lives and where the work happens. Do not assume one national answer covers every relationship on your list.

05 When the answer is W-2

When a role starts looking like an employee no matter what you call it, set schedule, one client, your equipment, you supervising the day-to-day work, stop arguing with yourself about the label. That is not a failure of the fractional model. That is the model working the way it is supposed to.

1 **Name it plainly.**

Write down which rule above the relationship is actually failing.

2 **Pick the off-ramp.**

Hire the person as a W-2 employee, or route the relationship through a payroll or employer-of-record service built to handle exactly this.

3 **Move before the next audit cycle, not after.**

Converting on your own initiative is a different conversation than converting because someone asked you to.

06 Get a professional to look at the real setup

Before you scale this past one or two people, sit down with a CPA or an employment attorney and have them look at your actual setup, not the version in your head. That is not a box to check. It is the same habit that keeps everything else in this book honest: do not rely on what you can get away with, rely on what you can actually stand behind. These rules do not get lighter because your company is small. A two-person shop hiring its first contractor owes the same honesty on every point as a company hiring its fiftieth one.

HOW TO USE THIS. This is a thinking tool, built to help you reason about your own firm. It is not a compliance guarantee and it is not legal advice. Where it states a rule, it states the rule as of 2026-07, and the law moves, so confirm the current rules in your jurisdiction with your own counsel before you rely on anything here.

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