

SUBCONTRACTOR PAYROLL TAX INDEMNITY AGREEMENT

This Subcontractor Payroll Tax Indemnity Agreement (the "Agreement") is entered into this _____ day of _____, 20_____, by and between:

Contractor: _____, with a principal place of business at _____ (hereinafter referred to as the "Contractor"), and

Subcontractor: _____, with a principal place of business at _____ (hereinafter referred to as the "Subcontractor").

RECITALS

WHEREAS, Contractor and Subcontractor have entered into a prime construction or services agreement dated _____ (the "Master Agreement") for the performance of certain work; and

WHEREAS, Subcontractor operates as an independent contractor and employs or engages its own personnel, employees, agents, or lower-tier subcontractors (collectively, "Subcontractor Personnel") to perform services under the Master Agreement; and

WHEREAS, Contractor requires, and Subcontractor agrees to provide, a full indemnification regarding any and all payroll taxes, withholdings, and related liabilities associated with the Subcontractor and Subcontractor Personnel.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

- 1. Independent Contractor Status.** Subcontractor explicitly acknowledges and agrees that its relationship with Contractor is that of an independent contractor. Nothing in this Agreement or the Master Agreement shall be construed to create an employer-employee, agency, partnership, or joint venture relationship between Contractor and Subcontractor, or between Contractor and any Subcontractor Personnel.
- 2. Tax Responsibilities and Withholdings.** Subcontractor assumes sole and exclusive responsibility for the payment of all federal, state, and local taxes, including but not limited to income tax withholdings, Federal Insurance Contributions Act (FICA) taxes, Federal Unemployment Tax Act (FUTA) taxes, state unemployment insurance, workers' compensation contributions, and any other payroll-related taxes or withholdings applicable to the Subcontractor's business and the compensation paid to all Subcontractor Personnel.
- 3. Indemnification.** Subcontractor hereby agrees to defend, indemnify, and hold harmless Contractor, its officers, directors, employees, agents, successors, and assigns (collectively, the "Indemnified Parties") from and against any and all claims, demands, liabilities, damages, losses, assessments, deficiencies, penalties, interest, costs, and expenses (including, without limitation, reasonable attorneys' fees and legal costs) arising out of, resulting from, or in connection with:
 - a. Any failure by Subcontractor to withhold, report, pay, or remit any applicable federal, state, or local payroll taxes, income taxes, social security taxes, unemployment taxes, or other withholdings for Subcontractor or any Subcontractor Personnel.
 - b. Any determination by a governmental authority, administrative agency, or court of competent jurisdiction that Subcontractor or any Subcontractor Personnel are employees of Contractor, including any subsequent assessment of unpaid payroll taxes, interest, penalties, or benefits.
- 4. Notice of Claim.** Contractor shall promptly notify Subcontractor in writing of any claim, audit, inquiry, or assessment by any tax authority or third party that may give rise to a claim for indemnification under this Agreement. Subcontractor shall, at its own expense, assume the defense of such claim or audit with counsel reasonably acceptable to Contractor, provided that Contractor shall have the right to participate in such defense at its own expense.
- 5. Right to Withhold Payments.** In the event Contractor receives notice of an audit, inquiry, or tax assessment relating to Subcontractor's payroll taxes, or has reasonable grounds to believe Subcontractor has failed to comply with its tax obligations, Contractor reserves the right to withhold from any pending or future payments due to Subcontractor under the

Master Agreement an amount sufficient to cover the potential liability, interest, and penalties until such matter is fully resolved to Contractor's satisfaction.

- 6. **Governing Law and Jurisdiction.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of _____, without regard to its conflict of law principles. Any legal action arising out of or relating to this Agreement shall be brought exclusively in the courts of _____ County.
- 7. **Entire Agreement and Amendment.** This Agreement constitutes the entire understanding between the parties regarding the subject matter hereof and supersedes all prior agreements, representations, or understandings. This Agreement may not be amended, modified, or altered except by a written instrument executed by authorized representatives of both parties.

IN WITNESS WHEREOF, the parties hereto have executed this Subcontractor Payroll Tax Indemnity Agreement as of the date first written above.

CONTRACTOR:

SUBCONTRACTOR:

Authorized Signature

Authorized Signature

Printed Name

Printed Name

Title

Title

Date

Date