

# PAYROLL TAX INDEMNITY AGREEMENT

## (INDEPENDENT CONTRACTOR)

This Payroll Tax Indemnity Agreement (the "Agreement") is entered into as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (the "Effective Date"), by and between:

**Contractor:** \_\_\_\_\_, with a principal place of business at \_\_\_\_\_ (hereinafter referred to as the "Company"), and

**Subcontractor:** \_\_\_\_\_, with a principal place of business or residence at \_\_\_\_\_ (hereinafter referred to as the "Subcontractor").

### RECITALS

**WHEREAS**, Company and Subcontractor have entered into a primary service agreement dated \_\_\_\_\_ (the "Service Agreement") pursuant to which Subcontractor performs services for Company as an independent contractor; and

**WHEREAS**, both Parties explicitly intend and agree that the relationship created by the Service Agreement is solely that of independent contractor and not employer-employee; and

**WHEREAS**, to ensure compliance with federal, state, and local tax laws, and as a material inducement for Company to enter into and continue the Service Agreement, Subcontractor agrees to indemnify Company against any potential payroll tax liabilities, penalties, interest, or related assessments as set forth herein.

**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 acknowledges and agrees that they are performing services solely as an independent contractor. Nothing in this Agreement or the Service Agreement shall be construed to create a partnership, joint venture, agency, or employer-employee relationship between Company and Subcontractor, or between Company and any of Subcontractor's employees, agents, or assistants.

#### 2. Tax Responsibilities and Withholdings

Subcontractor retains sole and exclusive responsibility for the payment of all federal, state, and local taxes associated with any compensation paid to Subcontractor by Company. Company shall not withhold or pay any amounts for or on behalf of Subcontractor, including but not limited to:

- Federal, state, or local income tax withholdings;
- Federal Insurance Contributions Act (FICA) taxes (Social Security and Medicare);
- Federal Unemployment Tax Act (FUTA) taxes;
- State Unemployment Tax Act (SUTA) or state disability insurance taxes; and
- Workers' compensation insurance premiums.

#### 3. Indemnification

Subcontractor hereby agrees to defend, indemnify, and hold harmless Company, its officers, directors, employees, agents, affiliates, successors, and assigns from and against any and all claims, demands, liabilities, losses, damages, assessments, deficiencies, judgments, interest, penalties, costs, and expenses (including reasonable attorneys' fees and legal costs) arising out of, resulting from, or in connection with:

- a. Any determination by any government agency or court (whether federal, state, local, or foreign) that Subcontractor, or any employee, agent, or subcontractor of Subcontractor, is an employee of Company;
- b. Any failure by Subcontractor to timely file tax returns or to pay federal, state, local, or foreign income taxes, self-employment

- taxes, payroll taxes, unemployment taxes, FICA, or other taxes arising from payments made by Company to Subcontractor; and
- c. Any claim for benefits, including but not limited to health insurance, retirement benefits, paid time off, workers' compensation, or disability benefits, made by Subcontractor or Subcontractor's personnel based on an alleged employer-employee relationship.

#### 4. Defense and Settlement

In the event that any government entity initiates an audit, inquiry, or proceeding against Company regarding the classification of Subcontractor, Company shall promptly notify Subcontractor. Subcontractor shall have the right, at its own expense, to participate in the defense of such claim. Subcontractor shall reimburse Company for all costs, legal fees, and tax assessments immediately upon written demand by Company following a final determination or settlement of such claim.

#### 5. Term and Survival

This Agreement shall remain in full force and effect during the term of the Service Agreement and any renewals or extensions thereof. The indemnification obligations set forth in Section 3 shall survive the expiration or termination of this Agreement and/or the Service Agreement indefinitely, or until the expiration of the applicable statute of limitations for the assessment of taxes by any relevant taxing authority.

#### 6. Governing Law and Severability

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. If any provision of this Agreement is held to be invalid, illegal, or unenforceable, the remaining provisions shall continue in full force and effect.

#### 7. Entire Agreement

This Agreement constitutes the entire understanding between the Parties concerning the subject matter hereof and supersedes all prior agreements, representations, or understandings, whether written or oral, regarding payroll tax indemnity.

**IN WITNESS WHEREOF**, the Parties hereto have executed this Payroll Tax Indemnity Agreement as of the Effective Date written above.

**COMPANY:**

**SUBCONTRACTOR:**

\_\_\_\_\_  
By (Signature)

\_\_\_\_\_  
By (Signature)

\_\_\_\_\_  
Name (Printed)

\_\_\_\_\_  
Name (Printed)

\_\_\_\_\_  
Title

\_\_\_\_\_  
Title (if applicable)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date