A 'Special Consultant' is not the same as an 'Independent Contractor'. If one is currently being paid via the State Payroll System, one does not qualify as an 'Independent Contractor', and instead must be paid as a 'Special Consultant'. Very specific criteria must be met in order to qualify as an 'Independent Contractor'. One cannot receive a W-2 wage tax statement and a 1099 tax form at the same time.

All state employees (current CSU, former CSU, or other state agency) must be paid as a 'Special Consultant' (4660) via the State Payroll System because only one W-2 is issued for the entire 'State' system, for earnings and retirement tracking purposes. Special Consultant payments are subject to taxes. These payments are taxed via the 'Aggregated Tax Method'. This means that all payments received in a given pay period are added together, multiplied by 12 (pay periods in a year), then taxed accordingly. With each payment received during a pay period, the taxes are progressively higher due to the aggregation. If the employee is full-time in PERS (retirement code 08), the incumbent cannot contribute past that, however, 'secondary positions', considered overtime positions (in excess of the full-time - 1.0 FTE), are not covered for PERS purposes and are not subject to social security deductions. Contributions for Social Security apply to earnings of employees who became members of PERS on or after January 1, 1962. Social Security taxes are 4.2% of one's taxable gross salary earned. "Public Law 99-272 extends Medicare taxation to state employees hired after March 31, 1986, who are not subject to Social Security taxation." This means that if an employee was hired prior to March 1, 1986, he/she does not have to pay the Medicare Tax portion of FICA taxes (1.45%).

An independent contractor (IC) is an individual (or non-corporate business entity) that provides personal services to the entity in such a manner as to be free from entity control over performance. On April 30, 2018, the California Supreme Court issued a unanimous 82-page opinion in Dynamex Operations West, Inc. v. Superior Court. The ruling creates a new standard for California that presumes workers are employees instead of independent contractors. Thus, both the State of California and Federal criteria must be followed. As part of their decision, the Court adopted a new ABC Test that will determine—for wage order purposes—whether the hiring entity has engaged an employee or a contractor. The B qualification of the new test requires that the contractor performs work that's outside the usual course of the hiring entity's business. **ALL THREE ABC TEST CRITERIA MUST BE MET TO BE PAID AS AN INDEPENDENT CONTRACTOR.** If NO, the individual must be hired as an employee (Special Consultant) per the State of California Supreme Court Dynamex Operations West decision. Independent Contractors on the other hand, are not taxed, must meet specific criteria, and are responsible for paying their own Federal, State and FICA taxes. The FICA tax consists of 6.2% Social Security tax and 1.45% Medicare tax for both the employee and the employer (15.30% total). ‘Independent Contractors’ must pay both the employee and the employer portions of FICA.