

# FAQs for Clients of Independent Consultants

## WHAT SERVICE DOES MBO PROVIDE TO INDEPENDENT CONSULTANTS?

Independent consultants (ICs) engage MBO Partners to manage their practice as an alternative to self-incorporation. We provide invoicing, collection, tax withholding, expense processing, business insurance coverage, access to benefits, and more. With MBO, ICs can choose how and when they pay themselves using a unique model that recognizes W-2 income based on their consulting profits rather than a set salary. In addition, ICs working through MBO have unlimited access to a dedicated support representative and can track their finances through an industry-leading online application.

MBO is a financial processor only; we invoice your business and provide the ICs' payments on their behalf. We do not "own" their client relationships, nor do we warrant their qualifications or services.

## IS MBO A STAFFING OR CONSULTING COMPANY?

No, MBO does not provide any staffing, consulting, or placement services. Our IC customers use MBO to facilitate their back office while they work on assignments they find on their own. They own their contracts and customer relationships. Simultaneously, your organization benefits by eliminating reclassification risk and improving your operational efficiency where it comes to the ICs who engage with your organization through MBO.

## WHO COVERS THE LIABILITY INSURANCE?

MBO covers ICs under our [comprehensive corporate business insurance policy](#) (which includes General Liability, Professional Liability/E&O, Auto, Workers Compensations, and more). We are happy to list your company as holder on our policy upon request.

## FROM WHOM SHOULD I COLLECT A W-9 FORM?

Because your company makes payments to MBO's C-Corp on the IC's behalf, you must collect [MBO's W-9](#).

## WHAT PAPERWORK DOES MY COMPANY NEED TO HAVE IN PLACE WITH MBO?

You must complete and sign this [Independent Consultant Statement of Work](#) so we know how to bill on the IC's behalf.

## IF MY COMPANY IS LISTING MBO AS PAYEE, WHY DON'T WE HAVE A MASTER SERVICES AGREEMENT IN PLACE WITH MBO?

ICs use MBO to provide financial processing services only. As such, we need to be the payee so we can invoice and withhold taxes. We are not involved in the services being provided or establishing the IC's qualifications to perform the work. We simply put an [Independent Consulting Statement of Work](#) in place with your company to document the service that the IC is providing. This document also ensures that we bill your company according to the terms of the services contract you have in place with the IC.

## IS MBO THE IC'S "EMPLOYER"?

Yes, but for tax purposes only. MBO acts as ICs' "employer of record"; we classify ICs as our W-2 employees so we can withhold taxes for them and fulfill other aspects of our service offering (e.g., expense processing, benefits access etc.). However, we do not control the ICs or their work as they would otherwise be independently operating their own entity.

When MBO receives your invoice payment for their services, we immediately deposit the funds into their MBO account. They then have complete control over when they choose to draw payrolls from their account.

### **WHO'S RESPONSIBLE FOR TAXES?**

As the employer of record, MBO pays all appropriate payroll taxes (federal, state, and local) to the appropriate authorities on the IC's behalf. We withhold the appropriate amounts from the IC's billings each time the IC initiates payrolls from the funds in their accounts.

### **WHO'S RESPONSIBLE FOR THE SERVICES BEING PROVIDED?**

The IC. As a third party financial service provider only, MBO does not evaluate or guarantee the ICs' qualifications to effectively perform their project work, nor do we warrant or control the work they do.

### **HOW IS MBO PAID? WILL THIS COST OUR COMPANY MONEY?**

ICs engage MBO on their own accord and MBO collects a small percentage of their bill rate once funds hit their MBO account. There is no cost to your company and MBO does not charge you any additional fees on top of the bill rate you have negotiated with the IC.

### **WHO IS RESPONSIBLE FOR NEGOTIATING THE PROJECT TERMS AND BILL RATE?**

You and the IC. Again, MBO serves as the financial facilitator for your engagement with the IC, but we do not get involved in project-related negotiations.

### **WILL MBO HAVE ACCESS TO CONFIDENTIAL PROJECT INFORMATION?**

Because MBO only provides financial and employment-related services, we rarely have access to confidential information. However, we are always happy to sign an NDA if necessary.

### **TO WHERE SHOULD MY COMPANY SEND PAYMENTS?**

You can find [MBO's payment information here](#). This information is also included on our invoices.

### **HOW DOES LISTING MBO AS PAYEE CHANGE MY COMPANY'S INTERNAL PROCESS?**

Your Accounts Payable department receives invoices from and releases payments to MBO Partners, Inc. (a C-Corp) instead of directly paying the IC (who is usually a Sole-Proprietor, Partnership, and/or LLC).

Because MBO pays the IC on a W-2 basis, our program actually provides your company with greater protection from IRS and state audit agencies. Additionally, MBO covers its ICs under our robust [professional insurance policy](#) which is more comprehensive than those that individuals or small business would typically hold. Our unique service offering therefore eliminates reclassification-related tax penalties and greatly mitigates co-employment risks. In fact, many companies engage MBO to pay all of the ICs they source internally (i.e., outside of their staffing or recruiting network).

You can learn more about how [we help companies here](#).