

AICN Newsletter

The Quarterly Publication of the Alliance of IEEE Consultants Networks

3rd QUARTER 2019

RENEW YOUR SUBSCRIPTION: CELEBRATE A YEAR OF THE FINDER



In the fall of 2018, IEEE-USA introduced the [IEEE-USA Consultant Finder](#), powered by IEEE Collabratec, to IEEE members. This redesigned service's key features include:

- Simple and advanced search features
- An assignment placement portal
- A full consultant profile for paid subscribers

In addition, the [IEEE-USA Consultant Finder's](#) visual design makes it easy to use. In addition, it has web crawlers, so even more potential clients will be able to find this new website—and the individual consultant profiles. Lastly, the Finder has opened this service fully to international independent consultants (those outside of North America) to post their profiles and market their services. Since Collaboratec powers this service, all 400,000 IEEE members have access to the Finder. Moreover, this service is free for clients, project

managers and HR professionals to search for consultants to hire.

We would like every IEEE member considering jumping into the world of the gig economy to check out the IEEE-USA Consultant Finder for marketing their services. There is no better, or easier, time to get started, than during the IEEE membership renewal period. Just add the [IEEE Consultants Network Membership Premium](#) into your cart, when you renew your IEEE membership. This step allows your IEEE Collabratec profile to be listed in the [IEEE-USA Consultant Finder](#).

The visual upgrade makes the Finder easier to use; and it will attract even more clients, project managers and HR professionals to search for a consultant, or post a consulting or contract assignment. IEEE-USA is also actively trying to promote this service to professionals through Google ad words, as well as constantly updating Search Engine Optimization (SEO) tags.

We look forward to your continued support of this product with your renewed subscription. IEEE-USA knows this service will benefit all IEEE independent consultant members and their consultant practices.

Please note: Current “Membership Premium” subscribers—it is now a great time to review your consultant profile. Log in via IEEE Collabratec (or the IEEE Collabratec App)—and consider adding or updating your photo; reviewing your biography; and updating your desired salary, or hourly rate.

You can also review the IEEE-USA webinar [“All You Ever Wanted to Know about the New IEEE-USA Consultant Finder.”](#) This new webinar outlines the new features of this service.

So again, welcome to the IEEE-USA Consultant Finder. And thank you to those that have already subscribed to this service. We hope you like the new look and upgrades! For IEEE members who have not yet subscribed, be sure you take a closer look—don't miss this great opportunity! ■

✓ CHECK IT OUT: THE NEW IEEE-USA CONSULTANTS FEE SURVEY REPORT — 2019 EDITION

All findings in this report represent only those IEEE members who identified themselves as self-employed consultants. For purposes of this survey, such participants are defined as the 751 individuals who indicated 50 percent, or more, of their consulting income came from working independently, with partners, or incorporated. The information provided is critical for consultants' success—such as a general profile of an IEEE consultant; top areas of consultant services; and most importantly, the median hourly rate consultants charge. This Report is one of a kind, and we believe each annual publication should be in the library of all IEEE independent consultants. Purchase the [IEEE-USA Consultants Fee Survey Report—2019 Edition](#) today! ■



For questions, comments or submissions
please contact Daryll Griffin at +1 202 530 8337
or d.r.griffin@ieee.org.

<https://ieeusa.org/careers/consultants/>

IEEE★USA

The Alliance of IEEE Consultants Networks Newsletter is published by IEEE-USA.
Copyright 2019 IEEE. IEEE-USA | 2001 L Street, NW Suite 700 | Washington, DC 20036



AB 5 BECOMES LAW IN CALIFORNIA

What does it mean for you?

On 18 September 2019, California Governor Gavin Newsom signed Bill AB 5 into law. The law redefines the relationship between employers and consultants. Drafted in response to a state Supreme Court case (*Dynamex Operations West, Inc. v. Superior Court of Los Angeles*) this law makes it harder for employers to classify individuals as contract workers, as opposed to regular employees. AB 5 codifies that court case; and it strengthens contractor rules further.

The initial purpose of the new law was to make people who drive for Uber or Lyft employees of those companies, instead of independent contractors, but the law's impact is much broader-intentionally so. The bill impacts most Californians who work as consultants or independent contractors, including those in the IT fields. If certain conditions are not met, AB 5 could make it very difficult for many IT independent consultants to continue working as independent consultants in California.

The heart of AB 5 creates a three-part criteria for determining if someone is an independent contractor. To be an independent contractor, a person must:

- Be free of control and direction of the hiring company
- Perform work that is outside the hiring company's usual course of business

- Must be customarily engaged in work that is similar to the contracting work he/she has been hired to do

If any part of this "ABC Test" are not met, then the person becomes a regular company employee; and they are eligible for benefits, and other company perks.

Most IT consultants would fail this test, because the companies they work for are in the IT business (although the courts will have to rule on what "usual course of business" means). As such, most California consultants would be re-classified as employees, under this rule.

However, two exemptions in AB 5 may help engineers. The first exempts anyone with a state-issued license from AB 5. This factor will help some IEEE members--but most electrical and computer engineers, as well as other IT professionals employed in the private sector--are not licensed and do not practice under the industry-exemption to licensure.

The second exemption relates to Sole Proprietorships, LLCs, and other legal business entities. Independent consultants who have created a legal entity to house their consulting work will be exempted from the new rules, if they meet certain conditions.

This specific exemption [Section (e), on page 8 of the law] is for business-to-business contracting relationships. AB 5 dramatically limits companies' ability to hire consultants, but companies can hire consulting companies, under certain conditions. This exemption means that a consultant who has built a legal entity around his/her work, including LLCs and Sole Proprietorships, can continue to work as an independent consultant.

An entity needs to meet 12 conditions to qualify as a "Business Service Provider," (BSP), as well as qualify for the exemption. (In AB 5, the BSP is the consultant, and the contracting business is the company for whom the consultant is working.) To qualify for this exemption, the BSP must meet all of these 12 conditions:

1. The BSP must be independent from the contracting business.
2. The BSP must provide services to the contracting company, not its customers.
3. The BSP must have a written contract to work for the contracting company.
4. The BSP must have all necessary business licenses to operate in whatever jurisdiction they are operating in.
5. The BSP must have a business location that is different from the contracting business (but it can be their residence).
6. The BSP must be customarily engage in work similar to work being performed for the contracting company.
7. The BSP has contracts for similar work with other companies, and can maintain other clientele--without restriction from the contracting company.
8. The BSP advertises to the general public services similar to those it is performing for the contracting company.
9. The BSP provides its own tools, vehicles and equipment to perform the services.
10. The BSP can negotiate its own rates.
11. The BSP can set its own hours and work location--as allowed by the nature of the work.
12. The BSP is NOT performing work that requires a state license from the Contractor's State License Board. (This condition appears to be limited to the construction industry, which has its own exemption.)

IEEE-USA Leadership Reacts

Brian Berg, Board member and past Chair of the IEEE Consultants' Network of Silicon Valley (CNSV), believes that with the exemptions, requirements of the new law are quite reasonable for independent IT and engineering consultants in California to meet. According to Berg, the new law now in effect encourages, for example, joining an organization, such as the CNSV (by way of #8). Each CNSV member is able to edit their own webpage, describing their skills, and advertising their consulting services.

Jacob Beningo, Chair of the IEEE-USA's Alliance of IEEE Consultants' Networks Coordinating Committee (AICNCC), believes local consultants networks in California that have not already done so, may want to consider creating a website that promotes their members' consultant services. In addition, California consultants may want to consider subscribing to the IEEE-USA Consultant Finder--to help meet the conditions the business-to-business contracting exemption sets, says Beningo.

IEEE-USA and IEEE leaders, including IEEE-USA President Tom Coughlin (himself a California consultant, as well as a CNSV Board member), worked with California lawmakers to ensure that the new law did not harm California's consultant community. While the final law was not exactly what IEEE members asked for, the most damaging rules were dropped before the bill became law.

IEEE-USA remains concerned about the effect this law will have on new consultants. To qualify for the business service provider exemption, consultants need to prove they have taken similar jobs with other companies--hard to do for their first job. Creating a legal shell for consulting work, increasing advertising expenses, and some of the other criteria will also increase consultants' costs, further discouraging new entrants into the consulting market.

Several other states are considering laws similar to AB 5. IEEE members are encouraged to watch their local state legislature carefully--and alert IEEE-USA if legislation regulating the gig economy, or consultants, are added to their state's legislative agenda. ■

R&D TAX CREDITS FOR ENGINEERS:

How You Can Benefit

Remember the tax law says you have to file and pay taxes but it does not require that you leave a tip – use R&D tax credits to keep from “over-tipping.”

The IEEE Member Discounts Marketplace is where IEEE rotates new discount offers. These are time-sensitive savings opportunities from a variety of professional services and products for home and office. This month, the feature offer is from Engineered Tax Services. Engineered Tax Services is offering a free webinar to learn about R&D tax credits, as well as a member discount to those who engage their services.

Federal Research and Development (R&D) tax credits have been available to businesses for more than three decades. However, many engineers don't realize the tax credits are available to them or don't understand which activities qualify. The new tax law continues its permanent status, understanding the importance of U.S. investments towards innovation. And engineers of all types can qualify for these valuable tax credits.

R&D tax credits can result in tens of thousands of dollars or more of benefit for engineers.

R&D Tax Credit Benefits

The R&D tax credit is meant to incentivize companies to invest in innovation and technological investments so that the U.S. can remain on the forefront of those advancements. Most states also offer tax credits for R&D activities. The credit, which is designed to reimburse companies that develop new products, processes, or inventions, offers a significant percentage back to the company for qualified research activities and qualified research expenses. These savings can offset wages and salaries paid for qualified activities. You do not need to be a large company to qualify.

The Qualitative Four-Part Test for Qualifying R&D Research

A simple four-part test helps to determine which activities constitute qualified research according to criteria established by the IRS:

1. **Permitted Purpose:** The activities must relate to new or improved business components, function, performance, reliability, and quality
2. **Technological in Nature:** The activity performed must fundamentally rely on principles of physical or biological science, engineering, and computer science
3. **Elimination of Uncertainty:** The activity must be intended to discover information to eliminate uncertainty concerning the capability, method or design for developing or improving a product or process.
4. **Process of Experimentation:** The taxpayer must engage in an evaluative process that is capable of identifying and evaluating more than one alternative to achieve a result. This may include modeling, simulation or a systematic trial and error methodology.

R&D Tax Credit Study

Claiming R&D tax credits involves a fair amount of documentation required by the IRS. That's why it's important to seek professional help from a consultant with a strong expertise in helping architects successfully claim these valuable tax credits. Our R&D experts dig much deeper into the fundamentals of your business activities—incorporating operations, engineering, financial, and tax expertise that results in more credits and meticulous documentation that is necessary to support your activities, costs, and credit. There is a direct correlation between the amount of your defensible credit and the expertise of the advisor performing the tax credit study. ■



UPWORK RANKS IN DEMAND SKILLS FOR THE SECOND QUARTER 2019

In August, Upwork—the largest global freelancing website—released its [Quarterly Skills Index](#) that ranks the fastest-growing freelance skills for second quarter 2019. While most of the ranked skills are not directly related to the engineering profession, IEEE consultants may want to take note of one or two of the items listed. ■

ANOTHER CONSULTANT'S BLOG

In organizing and gathering information for this quarterly newsletter, IEEE-USA staff browse the Internet looking for pertinent stories to include in certain issues. Often, we come across interesting blogs and posts that we want to share with IEEE consultants, and would-be consultants. With the growth of the “Gig Economy,” many articles are floating on the Internet about how people can venture out, and become their own boss. This blog post, [“How to Become a Consultant: 9 Steps to Doing it Right,”](#) is another good entry for those considering becoming an independent engineering consultant. ■

FREE IEEE WEBINAR USE THE RESEARCH & DEVELOPMENT TAX CREDIT TO REDUCE YOUR TAX BILL

Tax law says you have to pay taxes but it does not require that you leave a tip!

Engineers and Engineering firms can qualify for the extremely valuable Research&Development Tax Credit. Many of your typical day-to-day activities will qualify as R&D expenses under new IRS definitions.

Register for a free IEEE members-only webinar on 19 November at 1:30 p.m. ET (17:30 UTC) to learn how easy it is to claim the Credit.

IEEE members receive a 20% discount on all services.

*Note: Only US-based activities qualify for this Credit.

Registration Link: <https://attendee.gotowebinar.com/register/3550579634385990668>

