

Chairman Waxman has released a new thirteen page letter alleging that Blackwater cannot treat its personnel in Iraq and Afghanistan as “independent contractors,” and contends that they must be treated as employees for IRS purposes. The Chairman’s contention is incorrect.

The United States Government has always been aware of Blackwater’s relationship with its deployed personnel. The U.S. Small Business Administration has determined in an official finding applying “the criteria used by the IRS for Federal income tax purpose,” that “Blackwater security contractors are not employees.” The Chairman’s contention depends heavily upon a single letter from an IRS Field Office. Chairman Waxman’s letter fails to point out that this IRS Field Office letter is not a final determination and by law “may not be used or cited as precedent.” The Chairman also fails to mention that Blackwater has appealed the ruling by the IRS Field Office and that no final determination by the IRS has been made.

At the recent hearing before the Committee, Blackwater answered questions about the difference between employees and independent contractors and described why the contractor status was a superior method to suit the contractor’s needs. It is unfortunate that the Chairman has relied upon a one-sided description of the issue to color public perception without all the facts being presented.