SURGE
PEOPLE PARTNERS

FOUNDER GUIDE

BUILDING YOUR TEAM IN ALABAMA

1. Employee or Contractor?
2. Employees and Contractors Compared
3. Hiring an Intern?
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EMPLOYEE OR CONTRACTOR?

Questions to ask before you bring someone on

The IRS and the State of Alabama decide whether someone is an employee or a contractor based on how you work together. Ask yourself these questions first.

QUESTIONS TO ASK

1. Will you set their schedule and tell them how to do the job?
2. Will you train them?
3. Do they have their own business and other clients?
4. Will they send you invoices and pay their own expenses?
5. Is it one specific project with an end date?
6. Will they have a company laptop, email address, or title?
7. Are you offering them equity, a share of profits, or a say in decisions?

WHAT YOUR ANSWERS MEAN

EMPLOYEE

If you're directing the job, pay them through payroll, even if they're part-time or only work as needed.

CONTRACTOR

If they have their own business and are doing one project for you, a contractor agreement can work.

ATTORNEY

If you're offering equity or profit sharing, or they're bringing their own IP, talk to an attorney first.

Getting this wrong can mean back payroll taxes, penalties, unpaid overtime, and unemployment claims. Investors will also look at these agreements before they invest.

EMPLOYEES AND CONTRACTORS

How they compare

	EMPLOYEE	CONTRACTOR
Pay	Hourly or salary, through payroll	Per project, from their invoice
Taxes	You withhold and pay payroll taxes	They pay their own
Hours and tools	You set them	They set their own
Overtime	Past 40 hours, unless exempt	Doesn't apply
Paperwork	I-9, E-Verify, tax forms	W-9, then a 1099-NEC
What they build	Get an IP agreement signed	They own it unless your agreement says otherwise
Ending it	At-will, with a final paycheck	Whatever your agreement says

EMPLOYEES

Working part-time, as needed, or seasonally doesn't make someone a contractor.

To pay someone a salary with no overtime, they need to earn at least $684 a week and their job has to meet the federal duties test. Everyone else gets overtime past 40 hours.

CONTRACTORS

Your agreement should cover the project, the rate, who owns the IP, confidentiality, and how it ends.

A company email, set hours, ongoing work with no end date, or training from you are signs they're really an employee.

Someone having their own LLC doesn't necessarily make them a contractor, particularly if you're directing the work.

HIRING AN INTERN?

What to know before you bring one on

A lot of founders think interns can work for free. The Department of Labor only allows that when the student gets more out of the internship than you do.

WHEN AN INTERNSHIP CAN BE UNPAID

- [ ] You both agree up front that there's no pay and no promised job.
- [ ] They're learning the way they would in a classroom.
- [ ] They're getting school credit, or it's part of their coursework.
- [ ] It works around their class schedule and ends when they stop learning.
- [ ] They aren't doing work you'd otherwise pay someone to do.

If your intern is doing work your business needs done, they should be paid.

IF YOU PAY YOUR INTERN

- [ ] Pay at least $7.25 an hour, plus overtime past 40 hours in a week
- [ ] Do the same paperwork as any employee: I-9, E-Verify, tax forms
- [ ] If they're on an F-1 visa, their school has to approve the work first, and some programs also need a work permit from USCIS

BEST PRACTICE FOR ANY INTERNSHIP

- [ ] A structured learning plan
- [ ] Regular check-ins
- [ ] A supervisor or mentor
- [ ] Start and end dates in writing

BEFORE YOU MAKE AN OFFER

From the job post to the offer letter

BEFORE YOU POST THE JOB

- [ ] Write down the duties, the pay range, and where the work happens
- [ ] Decide if it's hourly or salaried (see page 2)
- [ ] Plan the questions you'll ask every candidate

IN THE INTERVIEW

Keep your questions about the job. Don't ask about age, race, religion, national origin, health or disability, pregnancy or plans for children, or marital status.

In Alabama, you can ask what someone was paid before, but you can't hold it against them if they don't tell you.

BACKGROUND CHECKS

If you use a background check company, have the candidate sign a consent form that's separate from the application. If the report changes your decision, send them a copy of it and a summary of their rights, and give them time to respond before you rescind the offer. If you do rescind it, send them a final adverse action letter.

IN THE OFFER LETTER

The title, the pay, whether it's hourly or salaried, the start date, that employment is at-will, and anything the offer depends on, like a background check.

LEAVE OUT

Words like "permanent" or "guaranteed," and promises about raises or how long the job will last.

BEFORE YOUR FIRST ALABAMA HIRE

What to set up before the first paycheck

REQUIRED

- [ ] EIN from the IRS
- [ ] Alabama withholding account
- [ ] Alabama unemployment account (Form SR-2)
- [ ] E-Verify for every new hire
- [ ] Form I-9 within 3 business days
- [ ] New-hire report within 7 days
- [ ] Payroll tax filings, and W-2s by January 31
- [ ] Workplace posters
- [ ] Workers' comp at 5 employees, counting officers and LLC members

WE RECOMMEND

- [ ] A payroll provider from the first hire
- [ ] Workers' comp from the first hire
- [ ] An offer letter for every hire
- [ ] Confidentiality and IP agreements, signed before day one
- [ ] Written policies on harassment, timekeeping, and PTO
- [ ] A way to track hours for hourly employees and interns
- [ ] A personnel file for each employee, with I-9s kept separately

CONTRACTORS

Get a W-9, sign a written agreement that covers the work, the rate, and who owns the IP, and send a 1099-NEC to anyone you pay $2,000 or more in 2026.

ANOTHER STATE

If you hire someone who lives in another state, you'll need to register there too. Know where they'll work before you make the offer.

Local taxes: some Alabama cities, like Birmingham, Bessemer, Auburn, Opelika and Gadsden, require you to withhold a local occupational tax. Check with the city where your employees work.

MANAGING YOUR TEAM

Writing it down, corrective action, and when someone leaves

Write things down as they happen. If you ever need to let someone go, those notes are what you'll rely on.

CORRECTIVE ACTION

1. Talk with them, then write down what you discussed and what you expect
2. A written warning that says what needs to change and by when
3. A final written warning
4. Termination

You don't have to follow every step. For serious issues you can move faster, so don't promise a set number of warnings in writing.

BEFORE YOU LET SOMEONE GO

- [ ] Is the reason written down, and have you handled others the same way?
- [ ] Did they recently complain, take leave, or file a workers' comp claim? Talk to someone before you act.

WHEN SOMEONE LEAVES

- [ ] Pay their final check by your next regular payday
- [ ] Pay out unused PTO if your policy says you will
- [ ] When they leave, give them Alabama's written notice that unemployment benefits may be available
- [ ] Collect company property and turn off their access
- [ ] Answer any unemployment claim notice by the date on the form
- [ ] Talk to an attorney before asking anyone to sign a release

AS YOUR TEAM GROWS

When more employment laws start to apply

Many employment laws apply once you reach a certain number of employees, and part-time employees usually count toward it.

EMPLOYEES	WHAT APPLIES
1+	Minimum wage and overtime, equal pay, I-9s, E-Verify, paid jury duty for full-time employees, and up to one hour off to vote
5	Alabama workers' comp, counting part-time employees, corporate officers, and LLC members
15	Federal discrimination and harassment laws, plus disability and pregnancy accommodations
20	Federal and Alabama age discrimination laws, and COBRA
50	FMLA leave, and offering health coverage to full-time employees
100	EEO-1 reporting, which the EEOC has proposed ending, and 60 days' notice before a mass layoff

We recommend a harassment policy and a way to report problems from your first hire, before the law requires it.

HOW LONG TO KEEP RECORDS

- [ ] I-9s: 3 years after hire, or 1 year after they leave, whichever is later
- [ ] Payroll records: at least 3 years
- [ ] Payroll tax records: at least 4 years
- [ ] I-9s and medical information: in their own files, apart from personnel files

If you have questions as you set this up, we're always happy to help.

QUESTIONS FOUNDERS ASK THEMSELVES

If you're looking for answers to these questions and more, we can help.

HIRING SUPPORT

How do I pay competitively?

What should I look for in candidates?

What can't I ask in an interview?

GETTING SET UP

Employee or contractor?

Do I need a handbook?

What do I need before day one?

PAY AND BENEFITS

What benefits should we offer?

How much PTO is normal?

Are we paying overtime correctly?

PERFORMANCE

How do I set clear expectations?

How do I address poor performance?

How do I run performance reviews?

WHEN SOMEONE LEAVES

How do I let someone go?

What do I owe them?

What do I need to document?

AS YOU GROW

Do I need an HR person yet?

What changes at 15 or 50 people?

Who do I call when something comes up?

LOOKING FOR SUPPORT?

Surge People Partners

WHAT WE DO

- HR Executive & Operational Support
- Outsourced HR
- Quick Turn Projects
- HR Tech Selection & RFPs
- HRIS Buildouts
- Custom Tech Solutions
- AI & Workflow Automation
- M&A & Pre-Diligence Audits

SCHEDULE A CALL

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