

Payroll

Ways to Reduce Payroll Costs,
Compensation Plans & Process
Streamlining

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Contractor vs employees

- Anyone still utilizing contractors?
- ****Changes to law at state level****
 - **Judges / Choreographers / etc.**
- Privates don't receive contractor status
- Use the McDonald's / Target test

Contractor vs employees

- McDonald's / Target test
 - They don't have contractors
 - They have part timers
 - Their employees have other jobs
 - They make less than \$600 annually
 - All McD's treats them the same across the country

Contractor vs employees

- See IRS letter ruling
- Employees have a way of raising the red flag
- Disgruntled employee will burn you
 - Penalties can be HUGE!
- How much extra does it cost to turn them into employees?

Lets Talk Payroll....

- Big Picture.. What's payroll anyway?
 - Gross pay
 - Net pay
 - SS / MC matching
 - FUTA
 - SUTA
 - Workers compensation

Lets Talk Payroll....

Payroll Register Report (Pre-Approval)

Widget Manufacturing Corp.

Pay Period From 10/20/2018 to 10/26/2018, Pay Date: 10/26/2018, Payroll # 2 (Standard)

Earnings	Hours*	Rate	Current	YTD Taxes	Current	YTD Deductions	Current	YTD ER Taxes**	Current			
Grand Tot:	160.00		2,610.00	2,935.00	152.43	153.03	139.20	139.20	99.42			
Payroll Summary			Total Net Pay: 2,318.37									
Regular	120.00		1,040.00	1,240.00	FWT	56.20	56.20	401(k)	39.20	39.20	ER SS	60.14
Personal	40.00		320.00	320.00	SS W/H	60.14	60.14	Tuition Repayment	100.00	100.00	ER MC	14.06
Bonus			1,000.00	1,100.00	MC W/H	14.06	14.06				FUTA	5.82
Meet fees				25.00	NJ State Tax	14.60	14.60				NJ SUTA	19.40
Birthday Parties			250.00	250.00	NJ SDI	1.84	1.84					
					NJ SUI	4.12	4.12					
					NJ Family Leave Ins	0.87	0.87					
					NY SDI	0.60	1.20					
Payroll Totals :	160.00		2,610.00	2,935.00		152.43	153.03		139.20	139.20		99.42

* Hour totals represent total work hours and do not include any overtime or double-time premium hours.

** Individual checks include FICA and unemployment taxes only. For summary, other employer tax YTD's represent total employer tax as of pay date.

Note on Departmental Reporting:

Employee will be included in default department only. Report will not reflect allocation to different departments.

Lets Talk Payroll....

■ Employer Taxes:

- SS / MC matching – 7.65%
- FUTA – .06%
- federal unemployment. It's \$42/person per year max.
- SUTA – Your % times wage base
 - AZ is 7K; CA is 7K; IL is 13K; MA is 15K; MN is 32K; MT is 32K; TX is 9K, etc.
 - As you terminate folks this increases

Lets Talk Payroll....

- What does a \$1000 cost me?

- MC / SS tax - \$76.50
- FUTA \$6.00
- SUTA @2% \$20.00

- Total ER \$102.50

- Total \$1,102.50*

- *plus workers comp insurance

Payroll Benchmarks

- Payroll is expensive
- Think percentages and NOT dollars!
- Paying “by the class” vs “by the hour”
- What does payroll cost me?
 - Benchmark / guideline

Sales



100%

■ Sales

Labor
40-60%

Other
60-40%



■ Sales
■ Labor

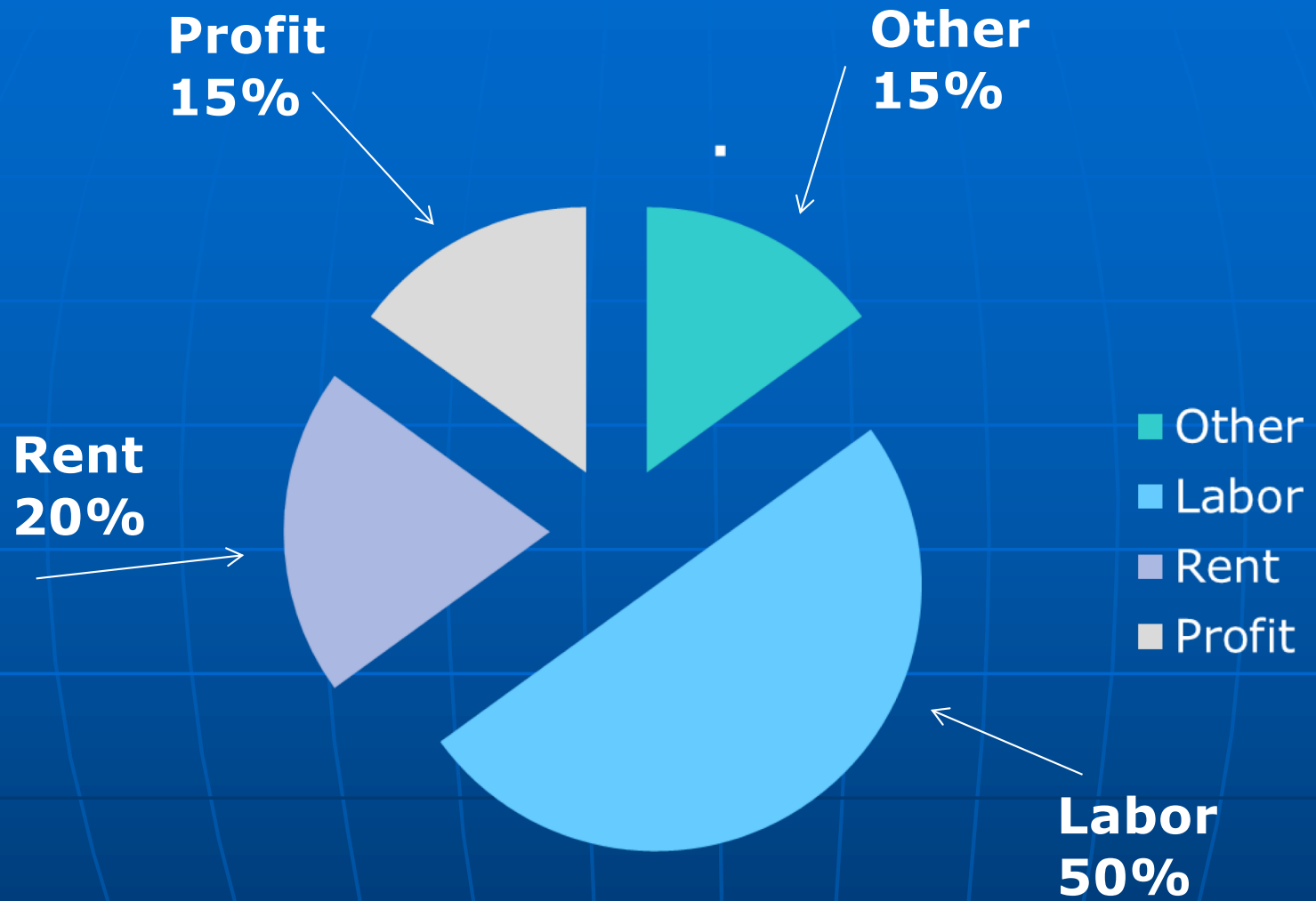
Rent
20%

Other
30%



- Sales
- Labor
- Rent

Labor
50%



Utilities, Marketing, Prof fees, Merch fees, Insurance, Benefits, etc, etc

Payroll Benchmarks

- Cost of payroll is single biggest expense
- Thrivers spend about 35% on payroll
- Stragglers spend about 50%+ on payroll
- Thrivers and stragglers have nearly the same hourly rates for their staff
 - Typically driven by market rates
- The number of hours that you pay, or utilization, is the more important factor. Schedule diligently to ensure they're generating revenue efficiently.

Payroll Benchmarks

Gymnastics business:

- 35% - 50% payroll costs

- Ranges are driven by recreational vs competitive programs
 - Higher coaching costs
 - Lower cost per hour for students
 - More Admin time

- Try cutting admin time out if needed

* Payroll, taxes & benefits included

Pass through can skew:

Tuition & PT	500,000	
Tuition only		400,000
Labor	250,000	250,000
%	50%	63%

Improving Payroll %

Every % improvement is \$\$ in your pocket

- Competitive teams spikes %
- Watch your creep
- Raise prices will decrease %
- Use time sheets
- Multiple pay rates
- Improve Ratio's

Improving Payroll %

Every % improvement is \$\$ in your pocket

- Jr. Instructors
- Setting pay rates based on job (not experience)
- Increase pay rates using %'s & not \$
- Limit admin time
- Check workers compensation rates
- Bartering

Payroll creep

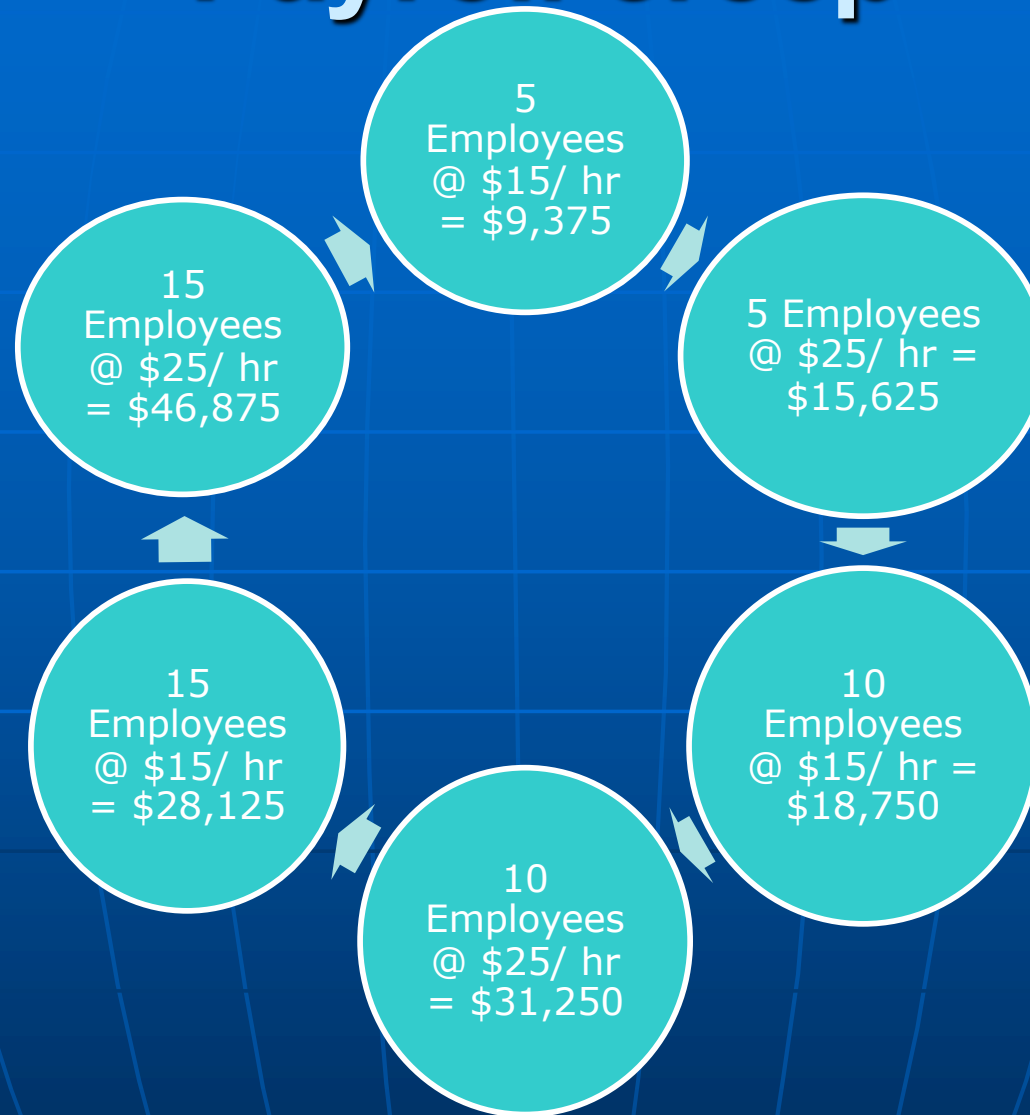
- The process by which small time from employees accumulates to large payroll costs
- Lets see an example....

Payroll creep

- 5 Employees on staff
- ½ hour creep per day per employee
- \$15 rate of pay per employee on average
- School is open 5 days per week
- School is open 48 weeks per year

- Creep = \$9,375

Payroll creep



Awards to employees – BAD NEWS!

✓ Discount Programs

- Careful of friends & family discounts
- May trigger taxable income if discount for service exceeds 20% and/or outside ordinary course of business
- You may provide discounts to current or retired employees; their dependents or spouses
- If eligible person receives discounts exceeding 20% of the price offered to customers the excess discount is includable in EE's income

Awards to employees

- ✓ Cash awards to employees are taxable
- ✓ Gifts up to \$25 per employee per year are excluded from income (Staples Gift Card secret)
- ✓ Don't forget Turkey Day
- ✓ Tangible achievement awards are still OK (ie. Company watch)

Awards to employees

- ✓ Tickets to sporting events are not taxable income if occasional
- ✓ Educational assistance is tax free up to \$5K per year
- ✓ Consider gifting frequent flyer & hotel awards as these are not taxable to employee

Payroll Strategies

- Day care for owners kids
- Put kids on payroll
 - If you pay your child \$17,700 a year to work summers and part-time for you ... and you're in the 30% tax bracket ... that's a direct tax savings to you of \$5,310.

Payroll Strategies

- Hire spouse for medical / dental accounts & HSA
- IRA for self / kids / spouse
 - Simple vs 401K
 - Employer match & tax reduction

Trending Ideas

- Employment trends
 - HR services are likely overkill
 - Handbooks are necessary
 - Millennials are demanding more (and different)
 - Vacation & sick time pay are coming!!
 - Top employment benefits
 - Be careful hiring outside your state

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