

# **LABOR BURDEN ANALYSIS**

***CONFIDENTIAL***

**DATE:** Friday, June 01, 2007  
**COMPANY:** SAMPLE COMPANY, INC.  
**HR CONSULTANT:** CBR CONSULTANT

**BASE YEAR:** 2007

**CHARGE:** \$750.00

**ITEMS INCLUDED:**

1. CLIENT INVOICES
2. EMPLOYER TAXABLE WAGES ANALYSIS
3. WORKERS COMPENSATION ANALYSIS
4. CURRENT RATE ANALYSIS

## **EMPLOYER TAX RULES AND RATES**

Base year:

2007

States:

AZ & NV

TABLE 1

<b>EMPLOYER TAX</b>	<b>AGENCY</b>	<b>RATE</b>	<b>RULES</b>
FICA - Social Security	Internal Revenue Service	6.20%	<ul style="list-style-type: none"> <li>▪ Calculation made based on gross wages</li> <li>▪ Accrual based on Calendar year</li> <li>▪ Only first \$97,500 per employee, per year taxable</li> <li>▪ Not experience rated</li> </ul>
FICA - Medicare	Internal Revenue Service	1.45%	<ul style="list-style-type: none"> <li>▪ Calculation made based on gross wages</li> <li>▪ Accrual based on Calendar year</li> <li>▪ No maximum wage limit. All wages taxed</li> <li>▪ Not experience rated</li> </ul>
FUTA (Federal Unemployment Tax Act)	Internal Revenue Service	0.80%	<ul style="list-style-type: none"> <li>▪ Calculation made based on gross wages</li> <li>▪ Accrual based on Calendar year</li> <li>▪ Only first \$7,000 per employee, per year taxable</li> <li>▪ Not experience rated</li> </ul>
SUTA (State Unemployment Tax Act) – ARIZONA	Arizona Department of Economic Security	2.80%	<ul style="list-style-type: none"> <li>▪ Calculation made based on gross wages</li> <li>▪ Accrual based on Calendar year</li> <li>▪ Only first \$7,000 per employee, per year taxable</li> <li>▪ Experience rated</li> </ul>
SUTA (State Unemployment Tax Act) - Nevada	Nevada Department of Unemployment	3.20%	<ul style="list-style-type: none"> <li>▪ Calculation made based on gross wages</li> <li>▪ Accrual based on Calendar year</li> <li>▪ Only first \$24,000 per employee, per year taxable</li> <li>▪ Experience rated</li> </ul>

TABLE 2

## EMPLOYER TAXABLE WAGE CALCULATOR ANALYSIS - ANNUAL

WAGE BASE RULE	GROSS WAGES		AZ SUTA	NV SUTA	SS	MEDICARE	FUTA
	WEEKLY	ANNUAL	UP TO 7000	UP TO 24000	UP TO 97500	NO MAX	UP TO 7000
Employee 1	1,000.00	52,000.00	7,000.00		52,000.00	52,000.00	7,000.00
Employee 2	500.00	26,000.00	7,000.00		26,000.00	26,000.00	7,000.00
Employee 3	1,250.00	65,000.00	7,000.00		65,000.00	65,000.00	7,000.00
Employee 4	3,500.00	182,000.00	7,000.00		97,500.00	182,000.00	7,000.00
Employee 5	236.00	12,272.00	7,000.00		12,272.00	12,272.00	7,000.00
Employee 6	2,500.00	130,000.00	7,000.00		97,500.00	130,000.00	7,000.00
Employee 7	2,250.00	117,000.00	7,000.00		97,500.00	117,000.00	7,000.00
Employee 8	500.00	26,000.00	7,000.00		26,000.00	26,000.00	7,000.00
Employee 9	1,500.00	78,000.00	0.00	24,000.00	78,000.00	78,000.00	7,000.00
Employee 10	925.00	48,100.00	7,000.00		48,100.00	48,100.00	7,000.00
Employee 11	810.00	42,120.00	7,000.00		42,120.00	42,120.00	7,000.00
Employee 12	568.00	29,536.00	7,000.00		29,536.00	29,536.00	7,000.00
Employee 13	500.00	26,000.00	7,000.00		26,000.00	26,000.00	7,000.00
Employee 14	600.00	31,200.00	7,000.00		31,200.00	31,200.00	7,000.00
Employee 15	900.00	46,800.00	7,000.00		46,800.00	46,800.00	7,000.00
Employee 16	1,725.00	89,700.00	7,000.00		89,700.00	89,700.00	7,000.00
Employee 17	1,725.00	89,700.00	7,000.00		89,700.00	89,700.00	7,000.00
Employee 18	1,615.38	83,999.76	7,000.00		83,999.76	83,999.76	7,000.00
<b>TOTAL TAXABLE WAGES</b>	<b>\$22,604.38</b>	<b>\$1,175,427.76</b>	<b>\$ 119,000.00</b>	<b>\$ 24,000.00</b>	<b>\$1,038,927.76</b>	<b>\$1,175,427.76</b>	<b>\$ 126,000.00</b>
<b>RATE</b>			2.80%	3.20%	6.20%	1.45%	0.80%
<b>ACTUAL</b>			\$3,332.00	\$768.00	\$64,413.52	\$17,043.70	\$1,008.00
<b>TOTAL EMPLOYER TAXES</b>		<b>\$ 86,565.22</b>					

FOR INTERNAL USE ONLY:  
CLIENT CODE: 2007

## **EMPLOYER TAX SUMMARY**

### **Conclusion:**

Based on the analysis completed (see table 2), it is estimated that [COMPANY NAME HERE] has an average annual employer tax burden of approximately **\$86,565.22**.

To determine this figure, an average of 3 payroll cycles (Jan 6, 2007, May 1, 2007 and July 17, 2007) were used to calculate actual earned wages by each employee. Any bonuses, commission, and non-scheduled compensations were omitted to ensure a wage base be established. All wages were then annualized and the correlating tax liability calculated using Table 1 as the guideline.

### **Recommendations:**

1. To reduce overall tax burdens, [COMPANY NAME HERE] should consider offering all Highly Compensated Employees...

**[CONFIDENTIAL RECOMMENDATIONS WILL BE AVAILABLE ON CUSTOMIZED ANALYSIS]**

2. To reduce tax rates...

**[CONFIDENTIAL RECOMMENDATIONS WILL BE AVAILABLE ON CUSTOMIZED ANALYSIS]**

TABLE 3

## WORKERS COMPENSATION ANALYSIS - BY COMP CODE (ANNUAL)

STATE	WORK COMP CODE	DESCRIPTION	BOOK RATE	GROSS WAGES	ACTUAL PREMIUM
AZ	9999	OWNERS	0.00%	\$416,000.00	\$0.00
AZ	9063	HEALTH CLUB	1.21%	\$127,079.68	\$1,537.66
AZ	8810	CLERICAL - OFFICE	0.25%	\$604,599.32	\$1,511.50
NV	8810	CLERICAL - OFFICE	0.77%	\$35,000.16	\$269.50
<b>TOTAL</b>				<b>\$1,182,679.16</b>	<b>\$3,318.66</b>

<b>TOTAL WORK COMP PREMIUM</b>	<b>\$3,318.66</b>
--------------------------------	-------------------

## **EMPLOYER WORKERS COMPENSATION INSURANCE SUMMARY**

### *Conclusion:*

Based on the analysis completed (see table 3), it is estimated that [COMPANY NAME HERE] has an average annual Workers Compensation Insurance burden of approximately **\$3,318.66**.

To determine this figure, wages were annualized by employee and assigned to the correlating workers compensation code by state. A review of work performed was also conducted to ensure that all employee were properly coded in accordance to the Scopes Manual and the NCCI (National Council for Compensation Insurance) [www.ncci.com](http://www.ncci.com)

### *Recommendations:*

1. [COMPANY NAME HERE] must aggressively address the experience modification factor (eMod) that is causing rates to be inflated by 25%. This can be done by...

**[CONFIDENTIAL RECOMMENDATIONS WILL BE AVAILABLE ON CUSTOMIZED ANALYSIS]**

2. Based on 3 year claims review, [COMPANY NAME HERE] has suffered 3 claims over \$10,000 in the 9063 work comp code which can be addressed and corrected by...

**[CONFIDENTIAL RECOMMENDATIONS WILL BE AVAILABLE ON CUSTOMIZED ANALYSIS]**

## CURRENT VENDOR COSTS:

TABLE 4

COMPOSITE RATE CODE	DESCRIPTION	RATE	COST
9999	OWNERS	11.70%	\$48,672
9063	SPA	11.98%	\$15,224.15
8810 AZ	CLERICAL – ARIZONA	11.93%	\$72,128.70
8810 NV	CLERICAL – NEVADA	14.82%	\$5,187.02
<b>TOTAL</b>			<b>\$141,211.87</b>

**DEFINITION:**

**Composite Rate:** A flat rate charged on every payroll, which includes all Employer Taxes, Workers Compensation Insurance and Administrative fees. This rate is CONSTANT throughout the year.

## CURRENT COST SUMMARY

### Conclusion:

While it is impossible to determine the exact costs associated with your current vendor fees, it is possible to determine the increase in dollars spent with this vendor by simply calculating the actual labor burdens (liability) versus the actual amount billed by your current vendor.

In this case:

Labor Burden (Liability):

Employer taxes	\$86,565.22	
Workers Compensation	<u>\$3,318.66</u>	
<b>Total actual burden</b>		<b>\$89,883.88</b>

Billed Amount **\$141,211.87**

**Difference** **\$51,327.89**

Based on this analysis, your current vendor is costing [COMPANY NAME HERE] **\$51,327.89** or **4.36%** of Gross Wages

### Recommendations:

1. Due to high discrepancy, a month-by-month audit should be conducted spanning back to the beginning of the relationship with your current vendor.
2. A switch to a more ethical vendor is highly recommended.