

**Project #6 – Payroll & Taxes****Description:**

Paying your employees seems pretty simple. Just multiply the hourly pay rate by the number of hours a person works in a week, and you're done, right? Not really. Not only do employees pay taxes on their wages, but the employer also pays certain taxes for employees based on pay. And that's not it; employers typically also have to pay for some benefits and training in addition to standard pay. So, what does it really cost to hire your employees?

**Objective:**

You will need to calculate the cost of having a small group of employees (between 3-49) working for your business. You will need to total the following:

- Employee Pay
- Federal taxes paid by the employer
- State taxes paid by the employer
- Local/municipality taxes paid by the employer (if applicable)
- Vacation/sick leave pay
- Training pay or reimbursement for continuing education
- Employee discounts or insurance coverage (optional/depends on business)

**Things you will need to do:**

1. **Research** the employer's responsibility for federal, state (and local) taxes – tax rates, self-employment rates, etc.
2. Create an **Excel spreadsheet** showing the breakdown of costs/taxes for each employee and the total cost of all employees for one month and one year.
3. Complete a **payroll spreadsheet** using a given template, showing each employee's hours worked, pay, taxes withheld, and net pay.
4. **Research paper**
  - 1-2 pages, 12 Font, double-spaced
  - Here are at least some questions you need to address:
    - What kinds of federal, state, and/or local taxes will you as the employer have to pay for your employees? What are the tax rates? Does it matter how much your employees are paid when computing your business' taxes?
    - What are the benefits that your business is providing your employees in addition to their pay? How much do they cost your business?
    - How often do you pay your employees? How often does your business have to submit tax reports to the different levels of government?
    - What is the overall cost of having a small group of employees for your business?

5. **Prepare a PowerPoint presentation and present your findings to the class.**

- Minimum of 5 slides
- Oral presentation = 2-3 minutes
- Things you should be addressing from your research paper:
  - What kinds of federal, state, and/or local taxes will you as the employer have to pay for your employees? What are the tax rates? Does it matter how much your employees are paid when computing your business' taxes?
  - What are the benefits that your business is providing your employees in addition to their pay? How much do they cost your business?
  - How often do you pay your employees? How often does your business have to submit tax reports to the different levels of government?
  - What is the overall cost of having a small group of employees for your business?

Each portion of the project will need to be submitted electronically (via the dropbox or e-mail) by certain dates. Your ability to complete tasks by certain deadlines will also be graded. If you have any questions along the way, you need to ask for help!

- FICA
  - o **Social Security** (Old age, survivors, and disability insurance):
    - 6.2% on \$118,500 for 2015 and \$117,000 for 2014 (employee & employer)
    - 12.4% on \$118,500 in 2015 and \$117,000 in 2014 for self employed
  - o **Medicare** basic hospital insurance
    - 1.45% on all wages (employee & employer)
  - o Additional 0.9% Medicare tax on wages in excess of \$200,000.
    - 2.9% on net earnings (self employed)
- Vacation/Sick Leave Cost per Year
- On-the-job training or continuing education
- Employee discounts?
- Medical insurance, life insurance, disability coverage?
- Retirement benefits?