



During the 1990's, a new form of employee/employer relationship was created and came to be known as Employee Leasing. It promised less work and less exposure risk to employers that used the service. This new relationship was also prone to abuse.

A large number of the employee leasing companies (commonly called P.E.O.'s) use a Flat Percentage of Wages. That is to say, they combine all the employee taxes into one rate multiplied by the wages paid--sure makes things sound easy at first. The fact is employers often sign a contract not knowing what they have agreed to pay. Unfortunately this practice is alive and well today; furthermore, it is not just in the employee leasing industry.



So...What Is The Big Deal?

Let's use an example to illustrate the potential for abuse. In this example, one employee working in California is paid \$30,000 for the year. The green table below calculates taxes owed the State and Federal Government. Now look at the red table--the Flat Percentage of Wages calculation looks much simpler, but look at how much is billed using a flat percentage! Many employer taxes have maximum amounts collected by the government. When those maximums are paid, it is common for companies using this flat percentage to keep the excess as profit.

Tax Type	Employer Tax Rate	Taxes Charged Employer
Social Security	6.20%	\$1,860.00
Medicare	1.45%	\$435.00
FUTA	0.80%	\$56.00
CA SUI/CA ETT	3.50%	\$245.00
Total Employer Taxes	11.95%	\$2,596.00

A 20 employee company could be charged **\$19,780.00** in Unanticipated Fees!

Flat Percentage Of Wages Method	Flat Billing Percentage	Total Charge To Employer
Flat Billing Rate	11.95%	\$3,585.00

Employer's Guardian was founded by HR Professionals who believe that having a trusted advisor position with a client can't coexist with billing practices that even hints of deception.



Maximize Employee Productivity – Minimize HR and OSHA Risks
 2865 Sunrise Blvd. Ste 225, Rancho Cordova, CA 95742
www.employersguardian.com 916-635-2543