

RATE CALCULATIONS – DETERMINING ANNUAL RATE FROM HOURLY RATE

- 40 hour weeks and 52 weeks per year
- 40 hours per week X 52 weeks per year = 2,080 hours per year
- Annual Salary = Hourly Rate X 2,080 hours per year
- \$65/hr → \$135,200 per year (gross)
 - \$65/hour X 2,080 hours = \$135,200
- \$50/hr → \$104,000 per year (gross)
 - \$50/hour X 2,080 hours = \$104,000
- \$45/hr → \$93,600 per year (gross)
 - \$45/hour X 2,080 hours = \$93,600
- \$40/hr → \$83,200 per year (gross)
 - \$40/hour X 2,080 hours = \$83,200

TAX DETAILS – FEDERAL INCOME TAX BRACKETS 2018

Rate	Individuals	Married Filing Jointly
10%	Up to \$9,525	Up to \$19,050
12%	\$9,526 to \$38,700	\$19,051 to \$77,400
22%	38,701 to \$82,500	\$77,401 to \$165,000
24%	\$82,501 to \$157,500	\$165,001 to \$315,000
32%	\$157,501 to \$200,000	\$315,001 to \$400,000
35%	\$200,001 to \$500,000	\$400,001 to \$600,000
37%	over \$500,000	over \$600,000

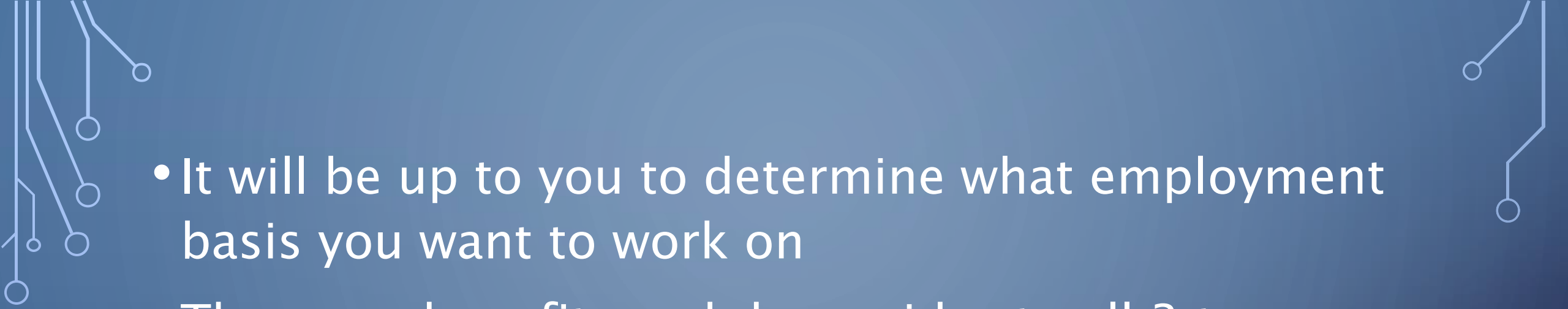

- When determining your tax liability, it's always best to use a tax calculator (We automated one in class! 😊)
- To quickly determine a rough estimate of how much you will owe in taxes (Tax Liability), given a particular rate, do the following:
 - Determine the Annual Salary (Hourly Rate X 2,080)
 - Tax Liability = Annual Salary X 30% (I use 30% to include all income taxes [federal and local] as well as all payroll taxes – Medicare & Social Security)
 - Example: \$50/hour
 - $\$104,000 \times 30\% = \$31,200$
 - Take Home Pay = $104,000 - 31,200$
 - Take Home Pay = \$72,800 (Net)

TAX DETAILS – INCOME TAX VS PAYROLL TAX

- INCOME TAX IS TAX YOU PAY TO FEDERAL AND LOCAL GOVERNMENTS ON THE INCOME YOU EARN DURING THE YEAR
- PAYROLL TAXES
 - Imposed on Employer and Employee
 - Your employer may withhold some portion of the payroll taxes you (employee) owe and pay the government on your behalf. (W4)
 - For 2018, Payroll taxes amount to about 15.3% of your total income.
 - This percentage is split between the employer and the employee
 - Employer will pay about 7.65% and Employee will pay about 7.65%
 - Payroll taxes are in ADDITION to Federal and Local Income taxes

TAX DETAILS – W2 VS 1099 VS C2C

- When you are working on a company's W2, this means you are an employee of that company.
 - As an employee, you may be eligible for benefits (health care, dental, vision, PTO, etc.)
 - Payroll taxes are split between you (employee) and the company (employer) (7.65% each)
- 1099 is a tax form that individuals and organizations fill out at the end of the tax year to show payments received/made for services rendered
 - If you are working on a 1099, that means you are an Independent Contractor
 - Independent Contractors are fully liable to pay all payroll taxes (15.3%)
 - Independent Contractors do not get any benefits
 - Independent Contractors generally earn a little more than W2 employees to make up for the payroll costs and not having benefits
- C2C – Corp to Corp
 - Your client pays your business and then your business pays you
 - Client is a corporation, your business is also a corporation
 - You are an employee of your business
 - Corporations pay a separate income tax around 21% (2018)

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- It will be up to you to determine what employment basis you want to work on
 - There are benefits and down sides to all 3 types (W2, 1099, C2C)
 - Some recruiters will ONLY work with W2 or ONLY work with 1099 or C2C
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DIFFERENCES BETWEEN W2, 1099, AND C2C

- W2:

- If your offer letter says Rate Plus Benefits – this means your base salary will be the dollar amount listed. In addition to that base salary, you will be getting a benefits package which can include health care, dental, vision, retirement savings, Paid Time Off, Vacation, etc.
- If your offer letter says Rate Including Benefits – This means your base salary and all benefits offered are included in the dollar amount listed.
- Since payroll taxes are being partially paid by employer and you may be getting benefits, the base salary or rate will be a little lower compared to the other employment types
- Can be paid weekly or bi-weekly

- 1099:

- Offer letter and contract will list your hourly rate.
- You will earn simply your hourly rate (the gross amount) for each hour you work
- Since you will be required to pay the full 15.3% of the payroll taxes, 1099 hourly rates are generally a little higher
 - Rates are about 15–20% higher compared to a W2 rate to compensate for the payroll taxes

- Corp-to-Corp:

- Contract will be signed between the client and your corporation (you must already have an S-corporation set up)
- Hourly rate will be similar to 1099 rate and will be 15–20% higher than W2 rates
- You will be an employee of your corporation and will pay yourself a salary which will be subject to income and payroll taxes
- You will be paying corporate income tax, personal income tax, and payroll taxes
- With the help of a skilled accountant you can actually save money on your tax liability with this arrangement