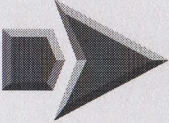


Unfair Advantage for "dirty" Cleaning Companies

Mandated Taxes W.C.I.	% of earnings	Example 1: Janitor who earns Minimum wage for 1 year earns \$12,000		Advantage on Bidding 15 worker contract	Lost revenue per 1,000 misclassified workers
FICA	6.20%	744		\$11,160	\$744,000
Medicare	1.45%	174		\$2,610	\$174,000
SDI	0.50% <i>** Worker pays</i>	60		\$900	\$60,000
UI	3.40% <i>** Varies, First \$7,000 only</i>	238		\$3,570	\$238,000
FUTA	6.20% <i>** First \$7,000, Credits Available (Form 941)</i>	434		\$6,510	\$434,000
Employment Training Tax	0.01% <i>** First \$7,000 only</i>	0.7		\$11	\$700
Worker's Comp	5.00%	600		\$9,000	\$600,000
Total Employer tax resp.	22.25%	\$2,190.70	Unfair Advantage	\$32,861	\$2,250,700

Based on Information above.

- 1 If employer pays in cash or personal check they save the entire amount above. That is a 22.5% payroll and WCI advantage off the bat. This is best case scenario. This is not taking into account wage and hour violations. Payroll advantage per minimum wage earner of \$2,191. Plus additional losses in income tax to the State and Federal government.
- 2 If a company paying in cash or personal check were to bid on a contract for a building requiring 15 workers and the company paid in cash or personal check the total combined unfair advantage just on payroll would be **\$32,861**.
- 3 If an employer misclassifies the workers as independent contractors and pays them under tax form 1099 then the employer would circumvent the above tax liabilities. In this Scenario the worker would be liable at the end of the year for all state and federal income taxes **and would be liable for twice the (FICA) social security tax (self employment tax)**. The employer save **\$2,190** per minimum wage employee on taxes alone if they misclassify employees as independent contractors.
- 4 For every 1,000 employees misclassified as independent contractors the State & Federal programs lose out on **\$2,250,700**, not including losses in income tax revenue.