Employee Vs IC

Everybody, welcome to day two of the Business Summit from Positive Educational Training. I would like to introduce Terry De Marino and I have taken this particular workshop before. This is a great workshop. So Terry, it is all yours. Hey, here is a real quick question. Do you want questions throughout or do you want to wait till the end? Let's wait till the end. Because everybody, a lot of what we do in the beginning will, you know, fill in the blanks as we go along okay cool. All right, Terry, it's all yours. Thank you very much, Mary.

And I thank everyone for attending. Have a good Memorial Day. I don't like saying happy Memorial Day because this is when we honor those who have served. Many came home and he did not. So let's have a respectful Memorial Day. And again, I have to apologize for my voice here. I've got bronchitis back from a cruise, came back with the cruise ship Cruds. That's what happens. But at least I can have something coming out of my mouth this morning, yesterday nothing totally blank. So we're going to go into the crux of the matter here, and this is an area that is deep and dear to my heart because I experienced this many years ago. Employees versus independent contractors.

First of all, in this seminar, we're going to define what an employee is. We're going to define an independent contractor. We're going to examine booth renting. We're going to examine federal laws regarding misclassification. Ok first of all, the disclaimer. I am not an accountant. I am not a CPA I'm not an attorney. I am not a labor board agent. I am not an IRS agent, for goodness sake. Please seek professional advice if you have any questions regarding your business. Of course I don't want my computer dude fixed and grooming his dog. I don't want to fix my computer so everybody's got a profession. I am a professional pet stylist.

I've learned by many of my mistakes and also by watching others. So I'm here to share this information with you. Big thing we're going to talk about. Is misclassified employees okay? This is a big problem in the industry for years, and I've been in this industry for 50 years. This is my fiftieth year and I'm going to tell my quick story and I'm a very quick study. And if there's one term that I use in my career is I learn to make a mistake. And I said never going to let that happen again.

And I don't. I bought my little pet shop. In South Florida in 1973 June of 73 and yeah, June, July, like that. And it was a dirty little pet shop that I brought up into, hey, we ended up doing really well and it came with a groomer in the back. And when I purchased the store there was a kid Okay. I bought this store and I'm all excited. I have my own pet shop, The Groomer. It was about three or four dogs a day and she's an independent contractor, they told me.

You pay her cash at the end of the day and she does her own taxes. It should have been a red flag, but I didn't know any better. And that's unfortunate because we are ignorant in a lot of these situations. Everything going on along fine until October thirty first nineteen, seventy three, in about four or five months after I bought the shop, in walks an IRS agent doing a spot audit okay. Spot on it. They can they do that? You bet they can join proper identification. And I said, what's going on? And he said, well, you didn't file a nine forty one i said what's a nine forty one? And he said the declaration of employees.

I said I don't have any employees. I hope I'm coming across. Oki said I don't have any employees. He said, well, who's that working in the back? I said, oh, she's an independent contractor. Ding, he said. Oh, where's her license? I said. She works under the shop license. Do not okay. Strike one, he says. What about her insurance? I said she works under the shop insurance check number two, you don't need three checks with the IRS He went into an immediate Wick.

I mean, I was. I had to be like his gem of the day because I was just like, open my soul to this guy. He said we're going to do an audit right now. He did an instant audit. Thank goodness this girl was fairly lazy and only did a few dogs a day. The prices were low, but that was back then. Okay, this is 50 years ago. She was doing toys and minis for 9$ and standards for nine. Fifty don't laugh. Don't judge me. We do an audit and she comes up with about 300$ that is owed in back taxes. I go in the back. I said Linda. My arrest man's here and he just didn't know it and said you owe him 300$ in.

Taxes a few choice words later, she grabbed her Clippers, her card file, the customer's names and numbers information on it, and walked out the IRS me and I said she's not going to pay. He says it's coming from some place, it's coming from you, and I had to write a check for about 300$ back, then which was the equivalent of over a month's rent for me at the time.

It took a while for this to really sink in on what had happened, but I am so grateful that this did not happen when I was two three five ten years into my business. Think of what that financial ramification would have been. And it's unfortunate that in my 50 years I have witnessed firsthand businesses going out of business from the same scenario. So here, let's move on. This has been the bane of our industry for many years.

I am not here to tell you how to pay your people. I'm here to point out and put in black and white the idiosyncrasies and confusions between independent contractors and employees. Hopefully this will keep some people out of trouble. There's always been indiscretions in salons. Some groomers may tell the owner of a salon that they're going to save money and if they put them on as an independent contractor. While on the other with the other foot, you have some employers saying I'll pay you independent contractor, it'll be better for all of us. This is a lose lose situation all around it is there's nothing, this is not good, this is not healthy and I have a feeling what's going to happen.

Is Ross still picking up from pandemic when the pandemic closures. To look at how many groomers out there try to apply for unemployment and were rejected because there was nothing in the files because they were misclassified, I have a feeling that somewhere down the line there are little red marks on these people's records, including the employers that they're going to be following up with One day okay. There's going to be rules are going to vary from state to state, but they're all going to follow the same basic IRS guidelines okay. These are you need to go directly to your state Labor Department or specifics and we're going to address these things in black and white.

First of all let me get a sip of water and once again I really apologize for my voice. I hope we're coming along, you know, getting a little louder. We're doing okay employer defined and I'm going to go by California because if it's California has. Of the strictest labor laws in the country, if it's compliant. In California it's compliant anywhere. And just as an example of how things can differ from state to state, in New York and New Jersey I believe a 40 hour work week, anything over a 40 hour work week is considered overtime.

In California, anything over an 8 hour work day is overtime. So a person can have in California they can have 20 hours of four of those hours might be overtime. So This is why you need to check with your state. An employer means any person defined by the Labor Code, directly or indirectly or through an agent or any other person employs or exercises control over wages, hours, and working conditions of any person. I'm glad I've got this printed on up because we're going to read a few of these. Employee defined means any person employed by an employer.

And includes any leasee who's charged rent or pays rent for a chair booth of space. So if a person comes in and pays you, they're still an employee. Technically, they're technically an employee. You know, if the employer is paying them anywhere. Or person who does not use his or her own funds to purchase supplies. Or a person who doesn't maintain an appointment book separate from the establishment. When my groomer left me and walked out with our card file, I had a backup card file. Ok so that was good for me. The only thing good for me with that situation doesn't have a business license or applicable.

Ok let's look at who is an employee is an individual who works at the control, is that word again? And direction of another the employer has the right to control. Now the IRS publication forty nine oh two, that's a big one right there. The following questions can help you determine if someone in your shop or you. I'm I really wish more rumors would listen to these seminars because you're going to save yourself a lot of heartache down the road. You really are. But you got it. These are things that are black and white. Following questions will help you determine as the owner, do you establish the hours of the shop is open.

Do the workers purchase their own supplies with their own money? Shampoos conditioners, blades. Who determines the prices to be charged? Do the workers set their own appointments? Or is there a mainframe who is responsible for expenses such as insurance, advertising, telephone, Any of this independent contractor defined? It depends. There are a few variables. There are a lot of factors that come into play with this. There really are. According to the IRS the general rule is that an individual is an IC If the payer has the right to control or direct only the result of the work and not what is done.

You contract someone to do, put down a new floor in your shop, He basically is an IC You don't tell him what to do, how to do it, when to do it. You may say my shop is open from here to here because those are the hours that you are available, but you're not telling him how to put down the tile, how to do this, how to do that.

That's his job. You're worried about the very end. The earnings of a person who is working in an IC are subject to selfemployment tax. You're if you are an independent contractor, you are selfemployed. That's it. Funny, I talk to myself all the time. My husband says who you're talking to. I said I'm having a staff meeting. He said you work alone. I said, that's right, I'm having a staff meeting. Let's go. According to the IRS an independent contractor, the payer has the right to control only the result of the work.

The payer has no control over what will be done. They give him the dog or the dog and they burn the dog. They send it out. The payer has no control about how the work will be done. Independence are selfemployed and subject to selfemployment tax. The employee, the employer, has the legal right to control the details of the work or house services are performed. Hey, get that dog bathed before you put a Clipper to it. Hey, you've got to vacuum up around the shop a little bit more. Hey, don't take a 15 to that dog's face, Take a 10 employees. Wages are subject to FICA. Which is the Social Security, Medicare, state, local income tax.

That's the whole word. The whole big word here is control. If you in any way have control over, and we're going to get into the details over these people that are in your salon rooming dogs, then you may have breached with the IRS used to call the master servant relationship. Ok you can't go mixing. There are no such things as hybrid. Independent contractor agreements. Sorry, there's no hybrids. Let's go with the degree of the control, OK There's a few things. Behavioral control, does the company control or have the right to control what the worker does and how they do it. These are the things that go in way into the balance of the IRS financial control, are the business aspects of the workers job controlled by the payer? Which means it's the business taken care of income out that those you know, how they're paid, how the customers pay them, how the appointments are booked.

Local hairdressing salon, 1 hairdresser. They got busted because they let a couple of the hairdressers use their credit card machine. Big no big no OK Financial relationship is another one. Are there written contracts or employees had benefits? That's another thing. An independent contractor doesn't get benefits. Will this relationship continue? Is there a contract? Okay, you know these are things you know, is the work performed a key aspect of the business. Now that's another thing that's a bit dicey, especially here in California. If you run a grooming shop and I know you're all going to say, well you have a hair salon and you got all these hairdressers in there. They are governed by the board of cosmetic.

Get the cosmetology board. Ok they've got that in the can already. Rumors do not unfortunately. So if you are a grooming shop and you're supposedly renting out what you call it stations, that may not work if you are a pet shop and or a veterinary clinic. And Pet Shop and Veterinary Clinic are the primary sources of the business. They could have a true independent contractor lease that space in the back to grow dogs because they are not the key aspect of the business.

These are things that get a little dicey. This is where I RS gets a little dicey here okay all businesses must wait. All factors went through determine whether work is an IC or an independent. Some factors may indicate the work is an employee. All other factors may indicate they're an independent. There's no magic set of numbers unfortunately when it comes to the IRS we're talking federal state. Something a little could be different state will always trump federal if it benefits the employee. So understand that all the states have to follow IRS regulations, but if they want to implement something that will benefit the employee, that will trump federal. The keys to look at the whole relationship considered, the degree and the extent and the right to control and finally document each of the factors used in coming up with a determination.

And we all hear about the SS8 the determination of worker status. For the purpose of federal employment taxes, this is all fine and good. And this will determine whether these people are independents or what you call it or employees. All right. If you do file it, a lot of times this can, whether you're a salon or whether you're a groomer looking for information or to, you know, put the cooties on somebody. It's going to take a long time to get a determination from here. And it's not the magic bullet.

They're not going to go in there and make somebody do something. They might, they very well might. But just know that you're probably putting a little red flag on everybody's account. If you really want to hurt somebody, I mean, really, first of all, you know, turn somebody in or do something like that, be it a groomer or an employee or employer, please, please, please don't do it out of vengeance. Don't do it out of a spite. Examine what you're going to do. But if you really see an illegitimate you know a problem, go to your state first. The state is the one, the state labor board, not the state employment board.

The state labor board. Those are the ones that hold the key with the laws regarding labor. Ok so you really want to don't go to IRS is one thing. State is another. Always follow your state. What about my state? All states are different. I can't, I can't emphasize that enough. All states are going to be a little bit different, but they're all pretty much following a the rules of the IRS has set forth. Ok let's talk about employee parttime or fulltime or independent contractor.

Oki got to catch myself on my on my notes here. Parttime or fulltime. You've got to follow the regulations set forth. By the state okay, we've got behavioral control that once again is the big one catching up. Yeah, because I see I do this for a bunch of different States and when I do it in this particular state, I bring in some of the state regulations as well. But because this is a nationwide, I've got to be a little more, a lot more general.

You got to remember behavioral control. Financial control relationship with the parties and when you say relationship with the parties sometimes like that person that I had working in the back there, if she had been a long time employee, you know like 20 years and this has been going on for ages that there may be a consideration taken to that because it was a good relationship and we kept it you know on top.

So these are things that all might come into play, but these are the three big ones right here. Each characteristic has several components that must be reviewed completely. There's no single factor. If you're going to hire an independent contractor, my gosh, give it in writing. Get it in writing absolutely you have to, according to a lot of. I'm just going to pull up Georgia for a moment because I've got this here breaks. Ok Neither the FAIR STANDARD Act nor Georgia law require breaks for meal periods given to workers. California, you better have them clocking out for breaks.

There's a certain number of hours they have to work before they have to clock out for a break. Many employees, employers do provide breaks and meal periods. Get it in writing. Go get it on. Did you know that even Commission employees have to clock in and clock out? That's it. You got to have your hours. Yeah, let me just back up a little bit, too. Why do we have such strict labor laws? Because all the government wants to see is that an employee is being paid fairly, that they're being paid correctly. They're not being no slave labor. If you're working overtime, they're getting paid overtime. They want to see fair payment.

Unfortunately, there's a lot of different directions that have to be pulled in here. Put it in writing. Oral agreements are open. Invitations to problems, misunderstandings. Without a written, signed agreement detailing what an independent contractor agrees to, disputes are very difficult to provide and settle. Whose customer is that? Well, I brought them in. No, I did. I did them first. Wait a minute.

I set my prices here. I told you I couldn't work sad you know, there's a bunch of stuff can come in. Misunderstandings may start out very innocently. But they end up being a case of one word against another. You really, you don't want to get involved in the legal battle on this. And I can't emphasize enough, don't go to your CPA Don't go to your accountant. They're not looking at labor law. They're looking at numbers. And i it bothers me, makes the hair on the back of my neck stand up when I see somebody on Facebook, say, my accountant told me 1099 is fine. Because they're looking at the numbers.

That's all they're looking at. They're looking to save you numbers. They don't know anything or very little. I shouldn't, I shouldn't say that. Very little about labor laws. Get yourself a labor attorney. Okay here are a couple of things. Well, first of all, I RS Publication 49 O2 is going to spell out terms in the beauty industry which we do parallel. But because they have a source of responsibility, they've got their governing board that's to them. We're hopefully going to parallel them. Contracts are not magic bullets, but they are going to clearly establish the workers independent contract status, OK By showing the authorities independent IRS and state that you, both you and the worker intend to create a solid independent contract relationship, not an employeremployee relationship.

Spell it out. Your IC agreement should be considered worthless. If it describes you treating the IC as an employee, you don't even bring that up. I mean, how many times on Facebook you say I'm an independent contractor, but my employer said this. Conflict of terms? Contradiction if you're an independent, you're not an employee. You don't have an employer. Simple as that okay so you cannot use those two terms in the same sentence. Under the scrutiny by the IRS we predict that independent contract rumors will be related to hair stylists.

A similar occupation, which has been plenty of previous IRS review Publication forty nine o two describes the typical take. That is, unless a hair stylist is renting a table, The hair stylist is an employee trying to stay ahead of this. Your written agreement was strongly state why you hired a pet groomers in IC in order to avoid any repercussions of classifications of problems. A written independent contractor agreement came at least the following terms OK Wait a minute. Went backwards. No forward here. Description of the services that you'll perform including groomer and customer service. Okay, you don't want somebody to come on. I don't deal with customers. I don't answer phones, you know that may cross over as well.

I don't clean. So how many times we hear this description of how much and when they will be paid when actually this is for say doing piece meal. But actually, a true independent contractor would be paying the landlord the owner of the salon in California anyway. They have to write a check. They're renting a table. There's no commissions involved. You have a flat fee. My hair salon, my she pays, I think 150$ a week hundred and twenty five hundred and fifty dollars a week for her table. That's it. That's hers. And so she can work five days a week. Seven days a week. One day a week she's going to pay that same flat fee and then at the end of the year you 1099 that person that you paid description of who's responsible for expenses.

I C's usually pay their own description of who provides materials and equipment. They should provide some remotes, but the IC agreement may say, well, I'm renting a table and the use of your tub and your water. And then the expenses little expense like towels, shampoo, hairdressers a lot of times will have what they call the well. So that's a group thing. They all use the same shampoos and they pay the salon for the use of these products. If not they bring their own shampoos, their own towels. That's it. So these are a couple things statement that the payer and the worker agree to an independent contractor relationship.

Sounds simple, but I tell you it's that that's part of it statement that the IC has all local and state licenses and permits required. You know you got to have an occupational license if you're going to run a business. So basically an independent contractor is a business within the business. They have to get a license. Same in that the IC will pay all their local, state and federal income taxes. We're not done, believe me, we're not done.

Statement by the IC acknowledging no entitlement to any benefits. So if the if the okay like California, good old California right now we have to make available a four oh one k for employees. Don't have to pay in okay, don't have to pay in, don't have to participate but just have to make it available and the employee can pay in which case we take it out of the paychecks and if they move on. They take care of four oh one k with them. If we make this available to an IC that's a breach of contract, Okay. They are not allowed to tap it to any of these benefits or health benefits Statement by the IC confirming A requirement to carry proof of professional liability insurance.

This is the big one. It's bad enough that so many salons have inadequate insurance. Somebody says, oh I have insurance, I got a great deal and it cost me 200$ a year. Believe me, you do not have professional liability insurance. You do not have the insurance that covers animal Bailey, which is if you injure a dog or worse, that is what covers it. So they need proof of this insurance, otherwise they're going to come back to the salon if a dog gets injured or worse.

So they've got to have this independent professional liability insurance. And believe me, it ain't 200$ a year o k? Description of the general term of agreement. Basically, that'll be a legal term. You're going to have an attorney work this stuff for you. Descriptions Under the circumstances in which the payer can terminate the IC agreement. This is where you would bring in for handling abuse, neglect, anything where you see behavior of being happening in your salon that is not commiserate with your salon profile.

Like if you get something that's very rough with animals and or abusive or negligent walking away from a dog on the table, that kind of thing. You're not allowed to correct them. But this may be where you might be able to slide that in. Description of how the payer and the payee will I see will resolve any disputes. If you got a problem you might have to bring it to a mediator description of who is a big one, who owns the customers referred by the business.

Were developed by the East IC And what happens to those records upon termination of the agreement? If there's an employee employer situation, those clients belong to the establishment. Okay customers belong to the business. Well, an IC is their own business. Customers belong to that Okay description of who is responsible for managing the IC Such as the business owner, manager or supervisor. It's a tricky little area here because secondly, you're not supposed to be supervising. But if there's got to be certain safety protocol in there that have to be followed within the salon, there's got to be somebody be able to just maintain the integrity of the safety of the salon.

So that booth renters OK and I hope my voice is coming across OK Nothing much I can do about it, but here we go. Ok Booth renters. Common, common thing. As a booth renter or an IC you're responsible for your own record keeping, timely return of returns, payments of taxes related to your business. Indications that you're an IC include but are not limited to. If you're a booth renter, you got to have a key to the business. You got to be able to go in and out and make it. They can't stop you from doing business. You're going to set your own hours.

Set your own prices. You know, responsible for your own record keeping, purchase your own product, maintain your own equipment, have your own phone number and business name. And you know a couple of things. Having your own these factors. If these factors are not present, then you're likely an employee. Simple as that. I mean, there's a bunch of stuff that that's just stuff that carries over from state to state. Like in California with an employee you have to supply all the equipment, OK And it was a number of years ago, corporate in California was busted for their pay options with the way they would pay.

This is why a lot of the pay schedules and corporates have had to change for the better for the employee for the most part. But they also supply their equipment if you. Have to supply equipment. If you if your employee, you make your employee supply equipment. You have to pay 1 and a half times minimum wage in California. Isn't that fun? You know why? They have a slumped in with mechanics and of course the mechanic shops. They have all this big equipment. They can't buy their own their own lift or car, their own compressors.

It's too much money, so you have to supply it. Now you can supply. I asked the labor the one of the Labor Department people buy supply stuff and they don't like it. What do they do? Well they can bring in their own or if they use them you might be liable for a workers comp suit if they get any kind of ergonomic or repetitive action stuff. So it's also tricky. It really is a true independent contractor. Here it is operates a business onto themselves, says you sell, sets their own hours. Establishes their own pricing. Give me a minute, guys. Establishes your own pricing. You have your own phone number.

Book your own appointments, Have your own supplies. Maintain your own client records. File and pay for your own selfemployment taxes. Have your own. Get all your locally required occupational licenses. Your own professional liability insurance advertises your services independently, and here's another one. Makes your services available to other establishments. So I can work at Mary's Salon one day and then work at Angie's 2 days a week. This is what an independent does, because they're bringing their clients with them. Ok they are employees if the business establishes work hours.

So if you say you're going to be here from nine to five established has a benefit program health benefits in California. Four o one k 's determines the prices to be charged. This is the big one you got to determine if you that is the salon price. That's a big one right there. Setting the appointments this see these two one two areas right here and here. There are problems with a lot of salons because they just go by the salon price and the salon has one main booking system. Hold and maintain the records, purchase supplies. Now I had in my salon. I had a salon for almost 30 years in Florida.

All my stuff was on computer way back then too. And that was it. No one was allowed to get in these records I did not want. No one was allowed to contact clients outside of the business. Purchase supplies. I bought everything. Maintain the equipment. I paid for everybody. Sharpening employee handbook. Well, there it is too employee if you're an LIC you don't get an employee handbook. Employee handbook will spell out everything. Dress code. Simple dress code. You might want to say here, we all wear these smocks and we all wear these shirts with these logos on it. Ok that's establishing a dress code. Determine the style of the salon.

That's the tricky one right there. If you say Jake, we do all of our heads, teddy bear heads like this, or we do all of our schnauzer eyebrows like this. You can't dictate style. Ok you can't. Because that person is running their own thing. In my own salon, I could do that and say, hey, we don't do that type of head on the dogs here. We do this type because the key to a good, successful business is consistency.

And when I've got multiple groomers and have everything coming out relatively looking the same okay an employee gets, their employees, we hold, withhold that withholding tax. Okay, withholding tax. And there's so much more. There's a bunch of other stuff, Okay taxation this is another thing where it hits and people don't realize this. Employees A business must withhold employment, income tax, and a portion of Social Security and Medicare Pay. Social Security and Medicare and unemployment on the wages. This is what a lot of people don't understand, what the employer puts into the paycheck.

All right, we're going to get to the numbers in a little bit because this is the part that gets me in the gut. Give a W2 wage taxman same at the beginning of each year, reflecting all of the taxes that had been taken and paid. Okay, excuse me. Now the independent contractor business must give a 1099 miscellaneous report to what was paid. So if they're paying the let's just grab an arbitrary figure 300$ a month rent and that is it.

Just out of the year. They going to give a thirty six hundred dollar ten ninety nine to who they paid that for at the end of the month? End of the year. Businesses not withhold any taxes from the IC because they're doing it themselves. They're independently employed and the I C's are responsible for paying their own selfemployment tax. And may need to make payments during the year to cover liabilities. Hello quarter lease. I think we all know what it's like to get back on our employee on our quarter lease taxation big thing.

Ok now let's just take a look. We got a few minutes here. Ok I'm going to look at 50 % and this is what kills me when i see a. Topic going on Facebook and somebody says I demand 60 % or I insist on 50 % or fee on a salon and I only pay 35 %. What bothers me more about these is people talking percentages and they're not talking dollars. How much do you need to see in your paycheck? At the end of the week I would have people come in and ask for, you know to say I need 50 %. I said 50 % of what? If your pricing is right, you're good.

I said, well, I said just give me a number. How much do you need to see in that paycheck? And they would give me a number. I'd say you're going to do that in three days here standing on your head at 35 %, OK Because if your pricing is right, it's good. You can make ruins me more money in my salon at 35 % with a bather and a receptionist then down the block at 65 %. Ok Pricing was right, Work structure was right. Everything is correct.

But these 50 % people come in and they say I want 50 %, but I want to be an employee. They're automatically getting a 7 6-5 % race. I'm going to show you why. Let's take an independent contractor and we're just going to. These figures are old, they're several years old, but they're still going to hold true. So we're going to get an idea of what we're doing.

700$ gross hundred dollars. A week yes, sounds really low for days. Let's say these are probably about five years old. You got a 12 4 % Social Security that independent is paying out of their paycheck out of that 700 dollars 2 9 % Medicare. So the selfemployment tax is 107$ and ten cents coming out of that paycheck. This is before state and federal taxes, so the net independent contract to pay before taxes 592$ and cents out of that the i c has to pay. Licenses, insurance. Oh, and if that I see has someone come and help, They have to pay that person.

They have to pay. They have to have workers comp for that person. They can't just say, oh, my niece is coming in and helping me. If the niece slips and falls in your salon, who pays for that? Ok she's awake. She working for the independent contractor. Hold on. The independent contractor doesn't have any insurance. Doesn't have any liability insurance. Doesn't have any workers come. It's come out of your pocket okay think about that next time somebody gets their friend and to help them, they got to pay all their equipment out of this.

They got to maintain their equipment. They got to buy their supplies. Excuse me just a moment. I'm actually quite amazed. I'm doing quite well. All right, now let's go into what? Let's just bump that down 5 %, which is still not fair because the employee is still getting a 2 7-5 % raise, 45 % employee, 40 hour week. But that's 15$ and seventy five cents an. Hour you know, that's another thing too. Think about it. People say, how much do you make? They say, well, it depends. Depends on what? How many dogs you have a day? Time of year? That's no way to live, ladies and gentlemen.

That's no way to live. 40 hour week they're gross is going to be 630$ Forty 1575 an hour 40 week, six employee payroll deductions. Ok this is what the employee pays out of that so security, Medicare, the employer matches it. This is the law. So me as an employer when I get Mary Jane in grooming and she's given me 40 hours. And it's 630$ I only pill full forty eight seventy three out of her paycheck I got to put out of my pocket 4873 up here. Joanie is making 700$ and to pay 700 A hundred and seven dollars out of her paycheck. Employee net paycheck before taxes 581$ and 27 cents. That's 11$ shy of what we have here, And what this employee has is she's under the safe umbrella of the salon.

If that salon would have the unfortunate accident burned to the ground with all of her equipment gone, everybody's stuff gone out of work, she'll have unemployment. She'll have insurance to pay for her equipment. She's protected on the protective umbrella of the salon if she hurts a dog or worse, she's protected under the She's living under the protective umbrella of the salon. And this is where so many people got skunked during COVID. When they went for employment, there was nothing with the federal unemployment and nothing in their state unemployment and is a heartbreaker when I still hear people saying, oh, I get paid cash under the table.

There's nothing in the coffers for you for Social Security or unemployment or insurance. You get hurt in a salon, you're screwed. Sorry, you're screwed. And this, once again, this is an older one. I think this is an annual income of thirty one. Thousand dollars, now yes, it's going to be a lot more in your high income areas. Los Angeles, New York, Miami, any of these. And if you can get the prices, then hey. That's terrific. But yeah, this is what gets me is that people will say, well, I make more money, I can save money as an independent.

No, you really can't. You got to pay one way or another. Or they want to maintain that Commission percentage and be able to move on to be an employee but still have that percentage. No you it costs an average employer. Say if you've got a 50 % person, cost about 65 % to maintain that person. All right, everybody thinks owning a salon is just so good it's not. An employer needs to be able to maintain approximately 30 % for payroll, 30 % for salon, and 30 % for profit.

And profit is the rainy day stuff. Profit is what pays the owner. I'm the one that gets up 3:00 in the morning because my window's broken. I'm the one that's got to got to stay after hours and pay the capital the plumbing fixed. The owner gets rewarded for their efforts. Simple as that. And there's nothing wrong with that, right? You know, this whole thing is, yeah, we've got it. If it if it looks like a duck, if it quacks like a duck, if it walks like a duck, ladies and gentlemen, it is a duck.

There are no hybrids in your. In your independent contractor situation, it's either cut and dried. Solid or it's not. Now if you have any questions, feel free to reach out to me, Terry demarino@gmail.com I have a Facebook group and yeah, that's pretty much it. I hope I was able to open up some eyes for a few people on some of the situations that they may have employees in or an employee having an issue on the other side. Thank you all very much. Mary, we have any questions? No, we'll give people a couple of minutes to a minute or so to type some questions in if they have them. This is a wonderful presentation.

I love this class. I love the way you break it down so that it's really clear what the difference between an IC and an employee is interesting i'm looking at the chat right here and somebody says they call this all employees, but we anyone ask, they were volunteers. Let me go into a volunteer thing too, because that's another situation where sometimes you'll get someone will say, well, I want to volunteer to learn how to groom. Think of the liability if somebody gets bitten or injured, they ain't a volunteer. You got a big problem on your hands, you're going to have a big bill. So this is something we're volunteers that really technically is no volunteering in a paid business when you've got somebody at the top of the food chain making money.

It's not a volunteer. You're not a ten. Nine you know, you're not a tax exempt association. What else? What else? Anything but anybody else. This was using a silk lid and numbness. I know. Oh, things have changed so much. I mean, it was this was years ago, but it's I sold my salon 20 years ago and I tell you a pat on the back to anybody owning a salon now. And they make it so hard to be in small business.

But this is what we choose. We're our own. We're our, you know, we're our own cheerleaders. We choose to own these businesses. You know, you got to run a business. You never hear of anybody walking a business. You got to run your business. Any other questions we got? No, I think that's it. But you know what? Everybody knows how to get ahold of you. Absolutely, really easy to find.

On Facebook. And if you see her at trade shows, she is so approachable. You know, we were all in this situation. And for me, having been in that situation and having only owned my salon four to five months, that's why I celebrate October thirty first more than halloween. I celebrated as the day I was forced to the table and to take a dog. Randy's got a question. She thought in California it's twice the minimum wage for not providing tools.

It might be Randy, it might be. I thought it was 1 and a half but it might be double. I may have misspoke on that. It might be double, but this is if you if they provide their own, they provide their own tools. So it's either 1, and a half or two, but you may be correct on that one. On the states, they don't matter, but just consider, I did ask them what happens if they don't like the tools I supply and they said you might become consider if they get a repetitive motion, you're going to have a worker's comp suit on your hands. You know, i traditionally and I was in Florida, things were a little different back then, back then back there and all my people supplied their own stuff.

But I paid for the maintenance. I paid for the maintenance on it. And I asked the Labor Department one time, what happens if you get somebody that breaks products, It's the cost of doing business. That's it. Now people say, you know, where do I find this information? The Small Business Administration has a very good and yet these little short videos and I think they've got a longer one on misclassified employees and also your state.

Departments of Labor and Department of Employment Development in California, the e, d they go to e d dot c a dot gov and there are free classes that they give in this, at least in California. I mean, I attended them one time and here's the depth that misclassification goes. I sat in a class, they asked me why are you here? I said informational purposes. I'm sitting next to a guy that owns a Massage Envy. Now this is a franchise and he was having a problem very similar to what we do. They he would pay was paying Commission. He was paying Commission and they weren't getting their hours what they were supposed to be paid per hour.

And you would think that a franchise company would better educate their franchisees as to proper payroll procedures. But this guy was like in shock. So it was pretty interesting. Okay, I think. Are we pretty much done? Mary i think we're done what? She turned off for a second. We're good. All right? So just wanted to make sure everyone knew that the recordings from yesterday were already up. Let me stop the recording on this one. Stop recording.