

Employee vs. Independent Contractor

| | Employee | Independent Contractor |
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| <u>Taxes</u> | | |
| <i>FICA/ Self Employment Tax</i> | Employer matching FICA up to \$106,800. 1.45% thereafter... | 15.3% Self Employment Tax up to \$106,800. 2.9% thereafter. 50% of Self Employment Tax is deductible. |
| <i>Business Expenses</i> | Deductible on excess of over 2% of adjusted gross income. | Fully Deductible. |
| <u>Insurance Programs</u> | | |
| <i>Health & Disability Income</i> | Normally accepted on group insurance plan regardless of insurability. | Individual plans. Able to tailor plan to fit individual needs. Access to Health Savings Accounts. |
| | Employer's contribution is deductible and non-taxable to employee. | Health insurance premiums are 100% deductible. DI and LTC potentially deductible. |
| | Coverage terminates with end of employment, in accordance with COBRA provisions. | Not dependent upon employment. |
| <u>Retirement</u> | | |
| <i>Retirement Plan</i> | Subject to plan provisions, including vesting schedule, eligibility requirements and limited investment choices | Can implement any one or a combination of several types of retirement plans, including: <ul style="list-style-type: none"> • 401(k) w/ Profit Sharing • SEP Plan (Simplified Employee Pension) • Defined Benefit Pension Plan |