

PREVAILING WAGE

Start saving on payroll costs and bid more competitively with a qualified retirement plan!



Did you know that you have the option to choose how you pay prevailing wages when awarded public works contracts?

If you pay all prevailing wage fringe benefits to your employees as taxable wage, then you may be paying up to 30 cents more on each fringe dollar paid than your competitors. Here is what taxable pay includes:

- Social security tax
- Medicare tax
- State unemployment taxes
- Workers compensation premiums
- Other local and jurisdictional generated taxes



Example of a contractor's business saving:

- Total annual tax savings for a contractor with 30 employees **with** annual retirement plan accounts and a 50% Prevailing Wage Rate: \$168,660
- Total annual dollars saved for retirement otherwise missed: \$562,200
- Assumes 1,000 prevailing wage hours and non-prevailing wage hours worked by each prevailing wage employee

A closer look:

	Base Wage	Fringe Benefit	Payroll Tax Burden 30%	Total Labor Cost Per Hour
With a Retirement Plan	\$36.82	\$18.74 (deposited into a retirement plan)	\$11.05 (base wage only)	\$66.61
Without a Retirement Plan	\$36.82	\$18.74	\$16.67	\$72.23
Total Per Hour Savings: \$5.62				

Actual Rates from 2017-2 Plumber, Pipefitter Wage Determination Schedule

Annual savings:

With a Retirement Plan	Company Wide Annual Example	Without a Retirement Plan
\$5,000,000	Prevailing Wage Base Compensation	\$5,000,000
\$1,000,000	Non-Prevailing Wage Compensation	\$1,000,000
\$2,300,000	Prevailing Wage Fringe Compensation	\$2,300,000
\$8,300,000	Total Taxable Compensation	\$8,300,000
\$1,500,000	Fringe Contributed to a Qualified Plan	\$0
\$800,000	Fringe Paid on Paycheck	\$2,300,000
\$6,800,000	Total Taxable Income	\$8,300,000
\$2,040,000	Total Payroll Liability Cost (Taxable Income x 30% Estimated Taxes)	\$2,490,000
Total Tax Liability Savings: \$450,000		

Savings per hour, per employee:

With a Retirement Plan	Per Hour Example	Without a Retirement Plan
\$36.82	Prevailing Wage Fringe Hourly Rate	\$36.82
\$18.74	Prevailing Wage Fringe Hourly Rate	\$18.74
\$55.56	Total Taxable Hourly Rate	\$55.56
\$9.21	Fringe Per Hour Contributed to Plan	\$0
\$9.54	Fringe Per Hour Paid on Paycheck	\$18.74
\$46.36	Total Per Hour Taxable Income	\$55.56
\$60.26	Payroll Liability Cost (Taxable Income x 30% Estimated Taxes)	\$72.23
Total Per Hour/Per Employee Tax Liability Savings: \$11.97		

Actual Rates from 2017-2 Plumber, Pipefitter Wage Determination Schedule



The benefits of prevailing wage

By choosing to pay the fringe to a bona fide benefit plan, the total payroll cost factored for taxes and insurance can be reduced by an estimated 30% on all fringe wages. They enable contractors to bid jobs more competitively, assisting in retaining quality employees for longer, winning more bids, and providing the opportunity for retirement savings that may not have otherwise been possible. The law requires contractors to pay prevailing wages on the federal, state, and some locally funded projects, allowing those wages to benefit you and your employees.

Once the Prevailing Wage Fringe is in the retirement plan, it can work double duty to not only offset many employer contribution obligations, but may also provide the opportunity for the principals of the company to save for a better retirement.

It's your turn!

Now's the time to take control on cutting payroll costs while adding valuable life long benefits to your employees. Save money and bid more competitively by switching to a bona fide benefit retirement plan on your employees' behalf!