Payroll Costs

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As a Canadian company moves closer to establishing its first U.S. location, drafting a budget is a key consideration and one that comes with challenges. Even with an estimated hourly wage, a prudent company will want to understand its ‘true cost of employment’. To do so, one must factor taxes and required insurances.

The following is a breakdown of such costs here in New York State (NYS):

- FICA (Federal Insurance Contributions Act Tax) - 6.2%
- FICA Med (Medicare Tax) - 1.45%
- FUTA (Federal Unemployment Tax) - 0.6%
- SUI (NYS Unemployment Insurance) 1.7%-9.5% depending on company’s experience. New companies to NYS start out at base rate of 1.7%. (this is paid on the first $10,900 of an employees’ earnings)
- SDI (NYS Disability Insurance) - 0.50% to maximum of $0.60 per week per employee
- Workers Compensation Insurance- based on company’s industry classification. Approximate range for manufacturing or logistics companies 3% - ~9%

So, for a new company in NYS with a base unemployment rate of 1.7% and workers’ compensation classification of 4%, the total burden with all applicable Federal taxes would be 13.95%.

In addition to these mandatory payroll costs, employers in the U.S. also must determine if they will offer other benefits. The most common additional benefit is sharing in a portion of employees’ health insurance premium costs. Other benefits can include contributions/matching to retirement plans, tuition reimbursement, flex time and others. It is up to each employer to determine the level of benefit they will offer, finding the right balance between cost and attracting/retaining top talent.

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