Workers Compensation for business owners - organized by entity type

Sole Proprietor

(Joe Smith dba Smith Widgets)

Default: Joe Smith, owner, no coverage (no coverage = no premium charged)

Optional: include, payroll assigned \$52,100* (Get coverage, pay for being included)

Partnership

Joe Smith and Davy Jones, Partners Smith & Jones Widgets

<u>Default</u>: Smith & Jones, partners, get no coverage (no coverage = no premium charged)

Optional: include, payroll assigned \$52,100 to partner(s) electing coverage. (Get coverage, pay for being included)

Corporation

Smith Widgets, Inc. Joe Smith President, Davy Jones, Treasurer

<u>Default</u>: Officers or shareholders with >25% ownership automatically included, subject to actual pay, with \$11,960 (\$230 / week) minimum, and \$59,280 (\$1,140 / week) maximum

Optional: Opt OUT: must sign, submit, and receive back executed copy of Form 153 electing out of coverage.

Limited Liability corporation (LLC)

Joe Smith and Davy Jones, Members Smith & Jones Widgets, LLC

<u>Default</u>: owners, no coverage (no coverage = no premium charged)

Optional: include, payroll assigned \$52,100* to member(s) electing coverage

Optional

Default Choice

Sample Costs for owners of various occupations:

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Proprietor, Partner, member									
	<u>code</u>	<u>rate</u>		payroll charged*		annual WC cost			
Inside, clerical only	8810	0.09	\$	52,100	\$	47			
In and out (sales)	8742	0.15	\$	52,100	\$	78			
Carpenter	5645	7.10	\$	52,100	\$	3,699			
Plumber	5183	2.93	\$	52,100	\$	1,527			
Electrician	5190	2.17	\$	52,100	\$	1,131			
HVAC	5183	2.93	\$	52,100	\$	1,527			

Corporate officer making > \$52,000								
	code	rate		Payroll annual WC cost				
Inside, admin only	8810	0.09	\$	59,280 \$ 53				
In and out (sales)	8742	0.15	\$	59,280 \$ 89				
Carpenter	5645	7.10	\$	59,280 \$ 4,209				
Plumber	5183	2.93	\$	59,280 \$ 1,737				
Electrician	5190	2.17	\$	59,280 \$ 1,286				
HVAC	5183	2.93	\$	59,280 \$ 1,737				

Notes:

Optional

* \$52,100 is an assigned compensation to owners, partners, members, subject to change by the state. Last updated October 2019.

Charges

The charges shown represent approximate annual base costs to a workers comp policy. Workers comp policies include several hundred dollars of fixed costs, costs for Employer Liability and other charges including terrorism (which unlike other insurance lines, is not optional). For more accurate costs for an entire policy, call Gordon Atlantic Insurance or visit us on line at www.agordon.com/biz.

Subcontractors:

Someone somewhere must provide workers compensation for workers; the only exceptions being officers who opt out of the system by signing the state's 'Form 153'. Example, general contractor hires Joe Smith (who has no coverage for himself as a sole proprietor), but Joe is hurt of the job site. The hiring contractor's workers comp will cover Joe, because their insurance company will charge a premium for his labor (as uninsured subcontractor).

Audits:

After the policy year is over, the insurance company audits your payroll (including any pay to uninsured sub-contractors), and adjusts the premium retroactivly. Gathering certificates with evidence of existing workers comp saves money, by NOT including them in payroll as 'uninsured contractors'. Subcontractors excluded from their own workers compensation are included on the hiring contractor's insurance audit. Hint: avoid big audit surprises by talking to us about having your payroll service include your workers comp costs as they pay your employees. Pay-as-you-go.

Payroll Services

Ask us about having your payroll service include your workers compensation costs at payroll. to align labor costs, improve cash flow and avoid big audits.

