

# PRISM LLC

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“ *valuable information for invaluable people* ”

## SPECTRUM

A Publication of PRISM Human Resource Consulting Services, LLC

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## Welcome!

Mary Beth Hartleb, J.D., SPHR



As PRISM HRC enters its fourth year of business, I am excited to report my nomination as the Small Business Administration Women's Business Champion for the state of Nevada. This would not be possible without the support of our loyal clients and I thank you. We also want to welcome you to our first edition of The SPECTRUM; our quarterly online publication that brings the latest HR News from around the globe in one convenient, easy to read format. This e-newsletter brings human resource professionals, executives and business owners fast facts, highlights and tips in a "quick read" format. We hope you enjoy it!

*Mary Beth Hartleb*

## Market Your Job Search News

### Myers Joins Market Your Job Search



We are pleased to announce the appointment of Renee Myers to the position of President of Market Your Job Search, effective January 4, 2007. Myers will be responsible for business development and daily operations. Market Your Job Search is a division of PRISM Human Resource Consulting Services, and provides recruitment services for employers and job coaching skills, resume development and interview skills for job seekers. Online employment guides in English and Spanish for the Las Vegas job seeker are also available. [www.marketyourjobsearch.com](http://www.marketyourjobsearch.com)

Myers brings over 10 years of combined management experience in human resources, operations and sales in a variety of industries, including hospitality, community relations, healthcare, manufacturing and the adult education field. Renee has human resources experience at the management level with small to mid-sized companies with extensive knowledge in staffing and recruiting, training, employee relations, benefits administration, and all aspects of employment law.

Renee holds a Master of Arts degree in Organizational Management from the University of Phoenix and a Bachelor of Science degree in Hotel and Restaurant Management from the University of Houston. She also earned her Professional Human Resources (PHR) designation from the Society for Human Resources Management. Renee is an active member of the Southern Nevada Human Resources Association and the National Association of Women Business Owners – Nevada chapter. »»[TOP](#)

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## Employer Benefit Update:

By: Sandra Liechty

### New Nevada Minimum Wage and Qualified Health Plans

Employers may be able to avoid payroll increases if they offer a qualified health plan. Under the change to Nevada's minimum wage change, if an employer offers a qualified health plan, (one that provides coverage for the employee and qualified dependents) and the employee meets the test of paying a maximum of 10% of that employee's gross payroll towards insurance premiums, the employer does not need to raise the employees pay rate to \$6.15 per hour. Some attorneys have provided guidance that the 10% figure should be calculated based on a pay period although the amendment does not define this specifically.

To date the amendment is silent on the issue of waiting periods, introductory periods and employees who decline coverage.

Until more guidance or additional legislation is passed, employers should proceed carefully when applying a qualified health plan exemption to the minimum wage increase. »»[TOP](#)

### BLS Releases Benchmarking Info on Benefit Costs

Employer costs for employee compensation averaged \$27.31 per hour worked in September 2006, the [Bureau of Labor Statistics](#) reported recently. Wages and salaries, which averaged \$19.12, accounted for 70% of those costs, while benefits averaged \$8.18, or 30%.

Employer costs for insurance benefits, including life, health and disability, average \$2.22 per hour, or 8.1% of total compensation. Legally required benefits, including Social Security, Medicare, unemployment insurance and workers' compensation, averaged \$2.19 per hour (8% of total compensation), while paid leave averaged \$1.91 per hour (7%), and retirement and savings benefits averaged \$1.18 per hour (4.3%).

Meanwhile, in the private sector, labor costs averaged \$25.52 per hour worked in September 2006, BLS finds. Wages and salaries averaged \$18.04 per hour (70.7% of total compensation), while benefits averaged \$7.48 per hour (29.3%). Employer costs for legally required benefits averaged \$2.18 per hour (8.6%). Insurance benefits averaged \$1.89 per hour (7.4%), while paid leave averaged \$1.73 per hour (6.8%), retirement and savings averaged 93 cents per hour (3.6%) and supplemental pay averaged 75 cents per hour (2.9%).

BLS collected the cost samples for this quarter from a sample of about 49,000 occupations within about 11,000 establishments in private industry and about 3,400 occupations within about 800 establishments in state and local governments.



Sandra Liechty is Vice President of Group Services, CBC Inc. She has 25 years experience in human resource administration and group insurance with an extensive background in fully





insured and self-funded plans. She currently serves as President for the Southern Nevada Human Resource Association (SNHRA). »»[TOP](#)



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## Legal Eagle Corner

Mary Beth Hartleb, J.D., SPHR

### Minimum Wage



As we settle in for 2007 after our long winter's nap and start those New Year resolutions, we may recall that a constitutional amendment passed in late 2006 that affects every worker and business owner in the state of Nevada. I am referring to the change in our state's minimum wage from \$5.15 per hour to \$ 6.15 per hour. Much 'buzz' has been discussed by the business analysts, some of whom are of the opinion that it won't matter much to those who think it will ruin our economy. On the surface, this amendment appears to be rather simple and straightforward; however, there are many areas that have not been clearly defined. Employers are advised to implement changes with caution and after consultation with their attorney.

Here are some things to keep in mind to manage budgets and ensure compliance: The minimum wage increase was effective November 28, 2006. Nevada has a two – tiered minimum wage. If you are an employer who offers a qualified health plan you may be eligible for the \$5.15 rate. If you do not offer a qualified health plan, the wage is \$6.15 per hour. There are several open questions in this area so proceed with caution.

Tips are not included in the calculation of the minimum wage. The minimum wage adjustment applies to Nevada only. If you have employees in other states with payroll processed in other states, this change does not impact them. The wage DOES NOT apply to those under 18 years of age, persons employed by a nonprofit corporation for after school or summer employment or those employed as trainees for a period not longer than ninety days. Trainee does not necessarily mean those on an introductory or probationary period.

The wage may be adjusted annually for cost of living increases or if necessary based on a change in the federal minimum wage.

The new minimum wage covers all employees. It does not matter if they are part-time, full-time, temporary or permanent.

Remember that Nevada has a statute that says if an employee is not paid time and one half the minimum wage then overtime must be calculated based on any hours worked in excess of eight in a day. Since the minimum wage has increased, so does the threshold for paying overtime. The new wage for overtime purposes must exceed \$9.23 per hour.

We recommend that you analyze your existing payroll and determine if any pay adjustments are necessary. Factors to consider prior to implementing changes are potential cost savings, loss of profit, employee morale and administrative time.

If you offer a qualified health plan, determine if employees are paying 10% or less of their gross payroll, defined by pay period, towards their premium contribution for their own coverage and dependent coverage. If so, document it and then decide if it is better to raise wages across the board

as necessary or to take advantage of the exemption.

Determine hourly rates, look at overtime levels and determine if it is better to raise pay rates or pay the daily overtime rates as necessary.

Decide if you have any workers falling into the exempt categories, i.e., under 18 years of age, after school or summer employment for a non – profit or those in training; then decide if it makes sense for your organization to have different pay rates for these classifications.

Document all your decisions in employee personnel files in case any decisions are challenged.

Consult with an attorney if you are not sure about how to proceed. »»[TOP](#)

## Employees Get Creative with Sick Time Benefits

Twenty-seven percent of hiring managers have fired a worker for calling in sick without a legitimate reason. CareerBuilder cites some of the most unusual sick day excuses that bosses have heard, including:

- Employee was poisoned by his mother-in-law.
- Employee was feeling all the symptoms of his expecting wife.
- Employee's dog swallowed her bus pass.
- Employee had bad hiccups.
- Employee broke his leg snowboarding off his roof while drunk.
- Employee's wife said he couldn't come into work because he had a lot of chores to do around the house.

On average, exempt employees have 8.4 sick days per year, compared to 7.6 days for non-exempt workers, reveals a study by Compdata Surveys, a benefits research firm

Certain industries were quite generous with paid sick days, the study notes. For instance, government workers had an average of 11.3 days, while utility employees received 11.3 days, and nonprofit workers had 11.2 days. However, the service, manufacturing and hi-tech industries provided their workforce with only 6.3, 6.4 and 6.6 days, respectively. The offer rates also vary by region. »»[TOP](#)

## ALTERNATIVES TO UNEMPLOYMENT TAXES FOR 501(c)(3)s

PRISM has recently become acquainted with an organization called 501 (c) (3) Services Inc. which provides alternatives to unemployment taxation for non-profit organizations in all 50 states.

In all states, 501(c)(3) organizations are required to pay for unemployment claims in one of two ways: the state unemployment insurance tax (SUI) or as a reimbursing employer paying your state only for claims paid to former employees. Many nonprofit organizations still do not realize they have this option. Here are the pros and cons of paying SUI taxes vs. reimbursing the state.

### Advantages of Paying Unemployment Taxes

A tax-paying employer knows each year the tax rate for the coming year and can project their annual cost bases on their taxable payroll. If your claims were more than your taxes, the state unemployment department will still cover the claims (but you can probably expect a tax increase in subsequent years). During the last two-three years of unusually high unemployment, paying state taxes has provided good security for agencies that experienced funding cuts and decreased donation dollars.

### Disadvantage of Paying Unemployment Taxes

Depending on the state, unemployment taxes currently range from .1-10.96% on each employee's taxable wages, which vary from \$7,000 to \$31,000, per employee. In 2004, unemployment stabilized and taxes still increased in 2005 because many states must rebuild their depleted SUI pools. This means a nonprofit is probably paying much more in taxes than the state is paying for its claims. *Nationally, nonprofits typically pay \$2.20 in taxes for every \$1 in claims.*

### Advantages of Reimbursing

A provision in the Federal Unemployment Tax Act (Section 3309) provides for 501(c)(3) organizations to opt out of the tax system and reimburse the state only for those claims paid out.

Since the national average for nonprofits is \$2.20 in taxes for every \$1 paid in claims, most 501(c)(3)'s will save money by becoming a reimbursing employer. Here is a real example. A human service agency in California, with a gross annual payroll of \$1.6 million had a tax rate of 4.8%. In 2005, their SUI taxes will be over \$45,000 even though their actual claims do not exceed \$12,000 annually. If they decide to reimburse, over the next ten years this agency could save more than \$300,000 (assuming similar tax rates and claims history).

### **Disadvantages of Reimbursing**

A reimbursing employer can only anticipate its liability for claims. The successful reimbursing employer knows to track its annual claims costs and budget appropriately for unemployment expenses. Organizations should learn about the base period and benefit year in their state so they can set aside an adequate amount of money to cover all employees eligible for unemployment benefits (generally a claim can be paid a maximum of 26 weeks).

Reimbursing employers are responsible for all the unemployment claims paid to their former employees by the state, no matter the amount. Also, reimbursing employers do not get "relief of charges." This means that if an employee resigned from your organization, went to work for another company and was terminated, then filed for unemployment, you could now be charged a portion of their benefits (even though they voluntarily left you).

### **Third-Party Reimbursement Options**

Approximately 4,000 nonprofits belong to different grantor trusts throughout the country. These trusts have additional features an organization may not be able to get on its own. Initially they help the nonprofit file the paperwork with their state to become a reimbursing employer, and then they handle the reimbursement payments to the state. Other features vary by trusts, but may include member-owned reserve accounts, stop-loss insurance (which protects the members' account from unusually high claims), claims management services to reduce costs, training workshops, and personnel services programs. Representatives from the nonprofit membership typically govern the trusts. You can search the web for grantor trusts that provide special unemployment programs for nonprofit organizations.

### **Making an educated decision for your unemployment coverage**

The reimbursement option works best for agencies that have stable employment and comparatively low unemployment claims based on the size of the organization. Nonprofits with less than ten employees, or agencies that have regular lay offs such as Head Start programs or performing arts groups, may not be the best candidates for reimbursing status. Nonprofits with an annual gross payroll of \$500,000 or more can generally realize substantial savings over a five to ten year period.

Staff that understands the unemployment system and has the time to devote to claims management is also important. Once a claim is filed, the Human Resource staff must follow up quickly if they want to protest a claim. Keeping good documentation is critical to a successful outcome. Claims management services offered by several grantor trusts, helps keep claims costs low, while providing high-level unemployment expertise.

The goal of reimbursing is to save money while maintaining financial stability. Realistically anticipating that you will have claims and budgeting for them is essential. Make sure your annual budget designates funds to pay for annual unemployment claims. Grantor trusts help the nonprofit set up its own reserve account and handle the payments to the state, thus reducing staff time for the nonprofit. The stop-loss insurance feature with some grantor trusts, also reduce a nonprofits' exposure if claims are high.

All states have a deadline to change from taxpayer to reimbursing employer status, generally between November-January. California allows nonprofits to leave during any quarter, and the most optimum time is before first quarter taxes are due. To find out your state's deadline contact the state unemployment department or search their website. Also, check to see if your state has a time limit for

how long you must stay out of the tax system as a reimbursor before you can return as a SUI taxpayer (usually 1-2 years).

### **Evaluate the Opportunity**

The bottom line on unemployment coverage is to investigate your opportunities. Since 501(c)(3) organizations have an option, it makes financial sense to evaluate whether paying taxes, reimbursing on your own, or joining a trust is the best way for your organization to save money safely and securely.

We want to thank Ellen Johnson for contributing this article and look forward to a long-standing relationship with their organization to better serve our non-profit clients. For more information, please contact us at [PRISM](#) or call 702-616-9970. »»[TOP](#)

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## **Community Calendar**

Henderson Chamber of Commerce  
Monthly luncheon, third Thursday;  
[www.hendersonchamber.com](http://www.hendersonchamber.com)

Las Vegas Chamber of Commerce  
Various meetings;  
[www.lvchamber.com/calendar](http://www.lvchamber.com/calendar)

National Association of Women Business Owners/Southern Nevada Chapter  
Monthly lunch meetings, fourth Tuesday of the month, Panevino  
[www.nawbolasvegas.org](http://www.nawbolasvegas.org)

Nevada Development Authority  
Quarterly Breakfast meetings, Four Seasons; \_  
[www.nevadadevelopment.org](http://www.nevadadevelopment.org)

North Las Vegas Chamber of Commerce  
Breakfast meetings, 1st Wednesdays, Santa Fe Station  
Luncheons, 4th Thursdays, Texas Station  
[www.northlasvegaschamber.com](http://www.northlasvegaschamber.com)

Southern Nevada Human Resource Association  
Monthly breakfast meetings, second Tuesday of the month, Palace Station.  
[www.snhra.org](http://www.snhra.org)

Society for Human Resource Management Conference  
June 24 – 27, LVCC »»[TOP](#)

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## **Helpful Links**

[www.dol.gov](http://www.dol.gov)  
[www.irs.gov](http://www.irs.gov)  
[www.eeoc.gov](http://www.eeoc.gov)  
[www.shrm.org](http://www.shrm.org)

[www.lvcva.com](http://www.lvcva.com) »»[TOP](#)

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## Contact Information

PRISM HR Consulting Services, LLC  
Mary Beth Hartleb, President/Owner  
[hr@hrc-prism.com](mailto:hr@hrc-prism.com)  
[www.hrc-prism.com](http://www.hrc-prism.com)  
702-616-9970

Market Your Job Search.com  
A Division of PRISM HRC  
Renee Myers, President  
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[careers@marketyourjobsearch.com](mailto:careers@marketyourjobsearch.com)  
[www.marketyourjobsearch.com](http://www.marketyourjobsearch.com)  
702-343-4606  
702-616-9970

The Rosarito Beach House  
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[www.therosaritobeachhouse.com](http://www.therosaritobeachhouse.com)

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Carolyn Stephens  
[carolyn@printplease.com](mailto:carolyn@printplease.com) »»[TOP](#)

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