

# W2 EMPLOYEE VS 1099 WORKER

## W2 EMPLOYEE

### Salary

W-2 employees receive regularly schedule paychecks based on a predetermined competitive rate.

It may seem like the employee is receiving less pay, but their overall costs will be lower. There is less hassle as the taxes have already been remitted.

What they take home on pay day is theirs to keep.

Example, they are paid \$1,000.00 and after FICA taxes are withheld, they take home

**\$923.50**

## 1099 WORKER

### Salary

1099 workers usually receive payment when a job is complete.

It may seem like they are receiving higher wages, but they will also have higher costs. If they do not make estimated payments throughout the year, they will owe this as a lump sum.

Example, they are paid \$1,000.00 and no taxes are withheld immediately.

However, they must still pay 15.3% self-employment tax bringing their net earnings to

**\$847.00**

### FICA Taxes

W-2 employees pay 7.65%

The employer pays 7.65%

Employer manages and remits the tax payments on the employee's behalf.

### FICA Taxes

1099 workers pay the full 15.3% as well as federal and state taxes.

The employee is responsible for managing the payments as well as the filing requirements.

### Financial

W-2 wages are automatically recognized, making it easier to qualify for financial lending, rental applications and more.

### Financial

Regarding financial lending, 1099 wages are under more scrutiny than W-2 wage earners.

### Security

W-2 employees have access to any company sponsored benefits.

You are covered under federal labor laws such as workers' compensation insurance, unemployment insurance, and overtime protection.

### Security

As a 1099 worker, you must acquire your own insurance or retirement fund.

You are typically not covered by federal labor laws, workers' compensation, unemployment insurance or overtime protections.