



*Michigan Chapter*  
**NATIONAL ELECTRICAL CONTRACTORS ASSOCIATION, INC.**

1026 N. Washington Ave. • Lansing, MI 48906  
 PHONE 517.372.3080 • FAX 517.372.4313  
 www.mineca.org

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The Honorable Fred Miller  
 Michigan House of Representatives  
 PO Box 30014  
 Lansing, MI 48909-7514

Dear Representative Miller:

Following is the background data I referenced during my testimony.

The following assumptions went into the calculations:

- The skilled trades construction worker has a base rate of \$28.00 per hour;
- The skilled trades construction worker would work 1800 hours a year;
- The skilled trades construction worker would spend \$1200 a month in purchases subject to a 6% sales tax;
- The skilled trades worker is paying \$2500 a year in property taxes

Taxes paid into local, county, state and federal units of government on one hour of electrical work - the following are based on a \$28.00/hour base rate:

Income Taxes

Federal	25.0%		\$7.00
State	4.35%		1.22
City	1.0%		.28
Federal Social Security	6.2%		1.74
Federal Medicare	<u>1.45%</u>		<u>.41</u>
	38.0%	=	\$10.65

Property Taxes on \$150,000 home  
 (avg \$2500/yr divided by 1800 hrs) 1.39/hour

Sales Tax on \$1200/month in taxable purchases  
 (\$14,400/yr @ 6%) = \$864 divided by 1800 hrs .48/hour  
\$12.52/hour

**Employer Taxes**

Federal Social Security	6.2%
Federal Unemployment	.8%
State Unemployment	7.0%
Federal Business Tax	.5%
State Business Tax	<u>1.0%</u>
	15.5%
 Employer Taxes (\$28/hour x 15.5%)	 \$4.34/hour
 Employer Property Taxes	 <u>1.39/hour</u>
Total Employer-Paid Taxes	\$5.73
	+
Employee-Paid Taxes	<u>\$12.52</u>
<b>Total Employer-Employee Paid Taxes</b>	<b>\$18.25 per hour</b>

So, for every hour worked by a skilled-trades construction worker at a \$28.00/hour base rate, there is at least \$18.25 paid in taxes per hour.

If that skilled-trades worker works 1,800 hours a year, that means they have generated over \$32,832 a year in taxes.

That also means that for every week that an undocumented worker takes a job away from a tax-paying construction worker we lose \$2,918.40 in tax revenue.

If a tax-cheating contractor has a crew of 10 undocumented workers on a jobsite for a month, that's \$29,184 dollars lost in tax revenue.

That means that the tax-cheating contractor can be \$30,000 lower on his bid than a law-abiding contractor and still get the bid if it is a one-month long job. If it is a 12-month long construction project, for 10 workers, the tax-cheating contractor can be \$360,000 lower on the bid.

Who do you think gets the next construction job if the tax-cheating contractor can be \$360,000 cheaper than the law-abiding contractor? That is a \$360,000 loss in tax revenue to city, county, state and federal units of government. In the construction industry, where it is often the lowest bid that gets the next construction project, tax avoidance schemes can certainly give an unethical and illegal competitive advantage to bogus contractors.

That is why we need to fix the situation of undocumented workers, "independent contractor" employee mis-classification schemes and out-of-state contractors that intentionally bid construction projects dirt cheap and get away with it because they are not paying the taxes that Michigan-based fair contractors have to pay.