

EMPLOYMENT CONTRACT

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IV. Chapter 4 – HIRE AND LEASE FROM RELATIVES

Strategy 1 & 2 (page 57-59)

In hiring any relative there are certain things you need to do:

- A) File SS-4 for Employee ID# to IRS service center near you.
- B) Get state number for withholding.
- C) File with state for worker compensation and unemployment tax.
(Note: In some states spouses and kids are exempt so you need to ask.)
- D) Have a contract of employment with your spouse or kids (enclosed).
- E) File appropriate federal forms with IRS (See page 67 of Tax Workbook, strategy A).

Note: Children under 18 are exempt from FICA and unemployment taxes. However, the forms still need to be filled out with the word “exempt” on them. Children under 21, (but 18 or older) are exempt from Federal Unemployment Taxes only.

- F) Strategy 2: Self Insured Medical Reimbursement Plan (enclosed).

Warning Note: If you have any other full time employees you may have to cover them by the same plan. You can exclude the following however at your option:

- i) Employees with less than 7 months of service
- ii) Employees under age 25
- iii) Employees with less than 3 years of service
- iv) Employees who ordinarily work less than 35 hours per week, if the rest of the workers ordinarily work more, there is a safe harbor for those workers who work less than 25 hours per week.

Exhibit B

Employment Contract (General)

Checklist:

- * Duties of Employee
- * Compensation
- * Term of Employment
- * When termination of employment can occur by employer
- * When termination of employment can occur by employee
- * Reimbursement for expenses
- * Restrictive covenant
- * Arbitration
- * Notice
- * Assignment
- * Disability
- * Governing Laws
- * Headings
- * Signatures
- * Supper Money
- * Fringe benefits (Insurance, etc.)

Sample Employment Contract (General) with Expense Reimbursement

Agreement dated _____ between _____
_____ (the "Employer") and _____
_____ (the "Employee").

1. Duties: The employer hereby employs employee as _____
_____ to perform the following
occupation/title
functions and tasks: _____

The employer may from time to time extend or curtail the employee's precise services.

2. **Term:** The term of this agreement shall begin on _____
Date
and shall terminate on _____.
Date

The employer shall have the right to extend the agreement for an additional
period of _____ years by giving written notice to the employee no
years
later than _____.
Date

3. **Compensation:** The employer shall pay the employee for services rendered a salary of \$ _____ a year, payable in equal monthly installments at the end of each month. Salary payments shall be subject to withholding and other applicable taxes.

4. **Working facilities:** The employee shall have some office space and other suitable facilities . The office need not be a private space.

5. **Disclosure of Information:** The employee acknowledges that the list of the employer's customers is a valuable, special, and unique asset of the employer's business. The employee shall not, during and after the term of his employment, disclose any part or all of the employer's customer list to any person, firm, corporation, association or other entity for any reason or purpose. In the event of the employee's breach or threatened breach of this paragraph, the employer shall be entitled to a restraining order and an injunction in order to enjoin the employee from using all or any part of the employer's customer list and from rendering any services, to any person, firm, corporation, association or other entity to whom all or part of such a list has been disclosed or is threatened to be disclosed. In addition to or in lieu of the above, the employer may pursue all other remedies available to the employer for such breach or threatened breach, including the recovery of damages from the employee.

6. **Expenses:** The employee is expected to promote the employer's business as a major part of his/her job duties. Accordingly, the employee will incur expenses for entertainment, travel, home entertainment, club dues, and similar items. The employer will reimburse the employee for all such expenses upon the employee's periodic presentation of an itemized account of such expenditures.

7. **Vacation:** The employee shall be entitled each year to a vacation of _____ weeks, during which time his compensation shall/shall not be paid. Each vacation shall be taken over a separate period.

8. Disability: If the employee is unable to perform his services by reason of illness or incapacity for a period of more than two (2) consecutive weeks, the compensation shall there after be payable to him during the continued period of such illness or incapacity shall be reduced by 25%. The employee's full compensation shall be reinstated upon his return to full employment and discharge of his full duties, not withstanding anything to the contrary, the employer may terminate this agreement at any time after the employee is absent from his/her employment, for whatever cause, for a continuous period of more than three months, and all obligations of the employer shall thereupon terminate.

9. Termination Without Cause: The employer may without cause terminate this agreement at any time by giving two weeks written notice to the employee. In lieu of this, the employer may require immediate discharge of the employee if two weeks severance is paid to the employee. The employee may without cause terminate this agreement by giving sixty (60) days written notice to the employer. In such event, the employee shall continue to render his/her services, and shall be paid the regular compensation up to the due date of termination (but shall not receive any severance).

10. Termination Upon Sale of Business or Termination of Business: Not withstanding anything to the contrary, the employer may terminate this agreement by giving seven (7) days notice to the employee if any of the following occur:

- A) The employer sells substantially all of his assets to a single purchaser or to a group of associated purchasers.
- B) At least two-thirds of the outstanding corporate shares of the employer (if incorporated) are sold, exchanged, or otherwise disposed of in a single transaction.
- C) The employer elects to terminate its business or liquidate its assets, or
- D) There is a merger or consolidation of the employer in a transaction in which the employer's shareholders or partners receive less than 50% of the outstanding voting shares of the new company or continuing corporation or entity.
- E) Death of the employer.

11. **Arbitration:** Any controversy to a claim arising out of, or relating to this agreement, or its breach, shall be settled by arbitration in the city of _____ in accordance with the rules of the American Arbitration Association.

12. **Notices:** Any notice required or desired to be given under this agreement shall be deemed if given in writing and sent by certified mail to the employee's residence or the employer's principal office, as the case maybe.

13. **Waiver or Breach:** The employer's waiver of any provision of this agreement shall not operate or be construed as a waiver of any subsequent breach by the employee. No waiver shall be valid unless in writing and signed by the employer or an authorized officer thereof.

14. **Supper Money:** The employer agrees to pay supper money of \$20.00 and any taxi fares to the employee for each day that the employee is forced to work 10 hours due to the extraordinary demands of the business of the employer. The supper money shall only be paid for the occasional overtime work not to exceed 60 days a calendar year.

15. **Assignment:** The employee acknowledges that his/her services are unique and personal. Accordingly, the employee may not assign his rights or delegate his/her duties or obligations under the agreement. The employer's rights under this agreement shall inure to the benefit of, and is binding upon all successors of the employer and assigns.

16. **Entire Agreement:** This agreement contains the entire understanding of all the parties. It may not be changed orally but only by an agreement in writing signed by all parties.

17. **Headings:** Headings in this agreement are for convenience only and shall not be used to interpret or construe its provisions.

In witness thereof, the parties have executed this agreement on

Date

(If Corporation)

Employer or President

Corporate Seal Attest

Secretary

Employee