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# Payroll Deduction

Payroll Deduction is a special market requiring a working knowledge of the payroll equation. It also requires an understanding of the important part that the payroll clerk or payroll administrator plays in the sales process, as well as the ongoing billing and service process. On Payroll Deduction business, the applicant's **employer** must sign an "Agreement to Establish Payroll Deduction Plan" form. **ISM calls every employer and verifies all cases.**

*By permission only. All agents must request, in writing, and receive written authorization from ISM's Sales and Marketing Department to transact business in this marketplace. Use the Payroll Deduction Pre-Authorization form (ISM#433) for this purpose, and receive the approved copy back before you write in this market. One form per case/group is required.*

Payroll Equation:

	Gross Pay or Taxable Compensation
less	Social Security (FICA) & Medicare
less	Federal Income Tax
less	State Income Tax (if any)
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	equals Take Home Pay

Any additional money taken out of the employee's paycheck comes out of the "Take Home Pay" (i.e., after taxes). Example: Employee making \$2000 per month in the 15% tax bracket (and no state tax).

$\$2000 \text{ less } \$153 \text{ (FICA) less } \$300 \text{ (Federal) = } \mathbf{\$1547 \text{ take home pay}}$

Now let's assume the employee pays an additional \$200 per month for dependent health insurance. He now has

**\$1347 take home pay monthly**

Now let's show this employee with a \$44 per month plan. He now has

**\$1303 take home pay monthly**

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*Note that similar situations hold for weekly, bi-weekly, and semi-monthly payrolls with the numbers adjusted accordingly. Weekly payroll is the most common.*

The \$200 per month for health insurance and the \$44 per month represents **after tax dollars**.

With an understanding of the above information, and with further details from your Area Manager, you can obtain permission from ISM to work in the Payroll Deduction market on a regional basis.

## Employer Paid Monthly List Bill

List Bill is a special market for agents specializing in businesses that offer benefits and services which are paid on a monthly basis by the Employer, via a bill provided by ISM's Administrator. THIS IS NOT PAYROLL DEDUCTION. On List Bill business, the Employer must complete and sign an "Agreement to Establish List Bill/Payroll Deduction Plan" form (ISM#138B). An "Employer Paid Monthly List Bill Authorization" form (ISM#139EP) must be completed for each employee and signed by all relevant parties. ISM calls every employer and verifies all cases.

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