

## **COMMISSIONS**

The months of December and January are typically two of the largest commission months of the year. This fact, combined with the recent installation of a new payroll and accounting system, makes it an appropriate time to review the design and implementation of our commission payment structure.

### **Commissionable Sales**

All commissions are calculated based on the wholesale value of the purchases. This is the total value of what the school purchases from us, *not* the total amount of money collected or raised by the school (unless the school was not running the program as a fundraiser). Furthermore, the commission is based on the amount *paid* to Original Works by the school (less any applicable taxes collected and remitted). In other words, if the school makes wholesale purchases of \$1500.00, but only pays \$1000.00 when they submit the orders, then your commission would be based on the \$1000.00 payment. When the school submits the remaining \$500.00, we in turn pay a second commission based on receipt of that payment.

### **Commission Payment Timing**

Our commission checks are generated by the 15<sup>th</sup> of the month for all schools that have completed the *order entry process* by the end of the previous month. In turn, the timing of the order entry process is determined by the *scheduled* ship date for the school. Therefore, it is possible for a school to go through the order entry process in November, ship in December and still show up on the December commission statement. Conversely, it is also possible that a school could arrive here in November, however based on the scheduled ship date for the school, it may not actually be order entered until the beginning of December. In this case, the commission for the school would be generated and paid in the month of January.

### **Credit Card Payments**

For the convenience of our customers and to encourage higher participation/purchase patterns within the school, we established a merchant account with Visa/MasterCard/Discover; we do not accept American Express. Because we are assessed a processing fee by Visa/MasterCard/Discover of 5% on the value of those items purchased by credit card, we do in turn reduce the commission rate applicable to those purchases by 2%. For example, if your normal commission rate was 10% and a school purchased \$2500.00 worth of product, \$300.00 of

which was purchased with credit cards, then you would receive a commission of \$24.00 ( $\$300 \times 8\%$ ) rather than \$30.00 ( $\$30.00 \times 10\%$ ). The remaining \$2200.00 ( $\$2500.00 - \$300.00$ ) would be paid at the full 10% commission rate.

### **Information Regarding Your 1099**

At the end of each calendar year Original Works will send out a 1099 to each Independent Sales Representative to whom we have made payments totaling at least \$600. You will receive a 1099, and not a W-2, because you are an independent contractor and not an employee of Original Works, Yours. The 1099 will show all payments made to you, not just commission payments.

According to IRS instructions for Form 1099-MISC, Original Works is to include “fees, commissions, prizes, and awards for services performed as a non-employee, other forms of compensation for services performed for your business by an individual who is not your employee...” Original Works is to include any “fee paid to a non-employee, including an independent contractor, or travel reimbursement...”

Our intent in reporting all payments to you on the 1099 is so Original Works will not account for any deduction on our Corporate Tax return that is not the responsibility of the company. Any deductions you may wish to take may be reported on your (individual/business) tax return.

If you have any questions or concerns regarding these IRS instructions, please consult your tax advisor.

### **Commission Reports**

Our new accounting system will generate detailed commission reports which should make it easy to reconcile your commission payments to the schedule of schools received and processed. The reports will show the payments received to-date and will be updated as additional payments are received and processed. Occasionally, you may have additions or subtractions on your commission reports. Reimbursements for shipments (for example: a booth from a convention, a subtraction from the commissions for the purchase of samples, mini/maxi kits, etc.) will automatically be deducted from the next month commission.

On the next page is a sample of the SALESPERSON COMMISSION REPORT.

You can refer to this sample, if you have any questions, please call your manager; they will be happy to review your report with you in detail.