

to \$2,000 at the end of the year were commonly reported. Some employers simply pay an extra month's salary as a holiday bonus. Some examples are:

- Bonus equal to 0.5 percent of pay for each year employed, minimum of 6 %, maximum of 12 %
- Bonus of one month's salary for staying the full year (\$1,250)
- Bonus equal to 10 to 20 percent of gross wages for completing the harvest season (\$300-400)

Profitability

Bonuses based on the profitability of the farm or a particular enterprise allow the employee to share in some of the financial risks and rewards of the business. Control of key expense areas such as machinery repairs also can be the basis for a bonus. Long-time employees may be more willing and able to be paid on this basis than new employees.

If the bonus is calculated as a percent of net income or profits then the employer must be willing to share this information with the employee. In many cases, the bonus is simply a lump sum based on the employer's discretion, for example, if the farm has a "decent year." Some examples are:

- Quarterly bonus if profit goals met (\$1,250 each time)
- Bonus equal to 10 percent of management return (\$6,000)

- Bonus equal to 5 percent of IRS schedule F net farm profit (\$1,500)

In-kind Payments

Employee bonuses do not always have to be paid in cash. A new appliance, a gift certificate, or a paid holiday at a resort may be highly appreciated, especially by the employee's family. Some employers allow workers to use tools, shop space, vehicles, livestock buildings, and even crop machinery for personal enterprises. This benefit involves little or no extra cost to the employer. Some bonuses are paid in the form of commodities. Current tax laws do not subject payments to employees in the form of commodities to Social Security tax. Some examples are:

- 1,500 bushels of corn
- Employee receives 2 acres of crops to sell (\$600)
- Ten calves and 150 bushels of soybeans

A good bonus plan needs to be discussed in advance. If performance or profitability determines the amount that is paid, an example should be worked out so that both parties understand the procedure to follow. However the incentive plan is structured, the expectations and conditions need to be made clear to the employee, and strictly followed by the employer.

... and justice for all

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