

**Understanding Employee Compensation**  
**Teaching Tip for Applying Knowledge to Actual Compensation Plans**  
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**Purpose:** This assignment is designed to draw students into understanding actual compensation packages of real world companies, including the tax effects to both the employer and employee.

**Implementation:** The assignment can be used in conjunction with Deloitte DBriefs U webcast on *“How Tax Influences HR Decisions – And Why You Have a Vested Interest”* or independently.

I have used this in Masters level courses, since it works well as a group project, but it can be used at any level as a group or individual assignment.

After covering employee compensation (i.e., fringe benefits and stock options), I assign students to view the tax webcast. In addition, I require students to download the 10k, Proxy Statement, and benefits package information from the website of a public company, such as Microsoft, Google, Staples, etc. Many companies will provide a detailed explanation of the benefits offered to regular employees, while the Proxy statement will provide information on the executive compensation. You can also refer them to your employer’s website (the university), which provides benefits for faculty and staff, as a nice comparison of an academic institution with an SEC company.

With the downloaded information, students are then required to discuss the particular benefits offered to various levels of employees and executives, focusing on both the tax and financial treatment to both the employer and employee.

**Benefits:** This provides for a nice discussion of the employee compensation incentives available, as well as the book-tax differences that may arise (i.e., as with stock options). Students enjoy the discussion as it relates to real world companies and their future negotiations of compensation. The assignment engages the students and is easily updated and changed from year-to-year, as SEC filings are required annually, and by simply changing the company for each assignment.

**Materials:**

- Deloitte DBriefs U Tax Webcast, *“How Tax Influences HR Decisions – And Why You Have a Vested Interest”*
- 10K and Proxy Statement of Public Company
- Online Employee Benefits of Public Company