MACHINE HOUR RATE WORKSHEET

Machine: _____

RATE = BUILDING + MACHINE + LABOR + RUNNING COSTS + OVERHEAD

Each piece is turned into dollars per hour, then added up. Fill in Steps 1 to 6.

1 HOURS PER YEAR

How many hours a year can each machine run?

_____	×	_____	=	
hours a day		days a year		HOURS A YEAR

2 BUILDING

Rent or mortgage interest, depreciation, property tax, insurance. Machine floor carries it all.

_____	÷	_____	=	
this machine sq ft		all machines sq ft		floor share

_____	×	_____	÷	_____	=	
yearly building cost		floor share		hours a year		BUILDING $/HR

3 MACHINE

Money set aside every year to replace your machines, split by what each machine is worth.

_____	÷	_____	=	
this machine value		all machines value		VALUE SHARE

_____	×	_____	÷	_____	=	
yearly machine fund		value share		hours a year		MACHINE $/HR

4 LABOR

Wages + payroll taxes + workers' comp + group insurance + supervision. Same on every machine.

_____	÷	_____	=	
all shop labor, a year		all machine hours		LABOR $/HR

All machine hours = hours a year × number of machines.

MACHINE HOUR RATE WORKSHEET

5 RUNNING COSTS

Power, repairs, tool repair, shop supplies, testing, freight, engineering. Split by value share.

	×		÷		=	
yearly running costs		value share		hours a year		RUNNING $/HR

6 OVERHEAD

The office: salaries, accounting, phones, computers, travel, taxes. Split by value share.

	×		÷		=	
yearly office cost		value share		hours a year		OVERHEAD $/HR

+ ADD IT UP

Building (Step 2)	
Machine (Step 3)	
Labor (Step 4)	
Running costs (Step 5)	
Overhead (Step 6)	

MACHINE HOUR RATE

Your cost for one hour at zero profit.

$ PER HOUR

$ YOUR PRICE FOR A JOB

	×		+		=	
rate $/hr		hours the job needs		material cost		YOUR COST

	+		=	
your cost		markup		YOUR PRICE

Run the worksheet for every machine. Big and small machines will NOT have the same rate.

MACHINE HOUR RATE WORKSHEET

FILLED-IN EXAMPLE

Machine: 150-ton press

RATE = BUILDING + MACHINE + LABOR + RUNNING COSTS + OVERHEAD

Each piece is turned into dollars per hour, then added up. Fill in Steps 1 to 6.

1 HOURS PER YEAR

How many hours a year can each machine run?

24	×	240	=	5,760
hours a day		days a year		HOURS A YEAR

2 BUILDING

Rent or mortgage interest, depreciation, property tax, insurance. Machine floor carries it all.

1,000	÷	10,000	=	0.10 (10%)
this machine sq ft		all machines sq ft		floor share

$400,000	×	0.10	÷	5,760	=	$6.94
yearly building cost		floor share		hours a year		BUILDING $/HR

3 MACHINE

Money set aside every year to replace your machines, split by what each machine is worth.

$100,000	÷	$1,820,000	=	0.05495 (5.5%)
this machine value		all machines value		VALUE SHARE

$273,000	×	0.05495	÷	5,760	=	$2.60
yearly machine fund		value share		hours a year		MACHINE $/HR

4 LABOR

Wages + payroll taxes + workers' comp + group insurance + supervision. Same on every machine.

$760,865	÷	46,080	=	$16.51
all shop labor, a year		all machine hours		LABOR $/HR

All machine hours = hours a year × number of machines.

MACHINE HOUR RATE WORKSHEET

FILLED-IN EXAMPLE

5 RUNNING COSTS

Power, repairs, tool repair, shop supplies, testing, freight, engineering. Split by value share.

$754,195	×	0.05495	÷	5,760	=	$7.19
yearly running costs		value share		hours a year		RUNNING $/HR

6 OVERHEAD

The office: salaries, accounting, phones, computers, travel, taxes. Split by value share.

$989,500	×	0.05495	÷	5,760	=	$9.44
yearly office cost		value share		hours a year		OVERHEAD $/HR

+ ADD IT UP

Building (Step 2)	$6.94
Machine (Step 3)	$2.60
Labor (Step 4)	$16.51
Running costs (Step 5)	$7.19
Overhead (Step 6)	$9.44

MACHINE HOUR RATE

Your cost for one hour at zero profit.

$42.68
$ PER HOUR

$ YOUR PRICE FOR A JOB

$42.68	×	100	+	$1,500	=	$5,768
rate $/hr		hours the job needs		material cost		YOUR COST

$5,768	+	$865	=	$6,633
your cost		markup		YOUR PRICE

Example from the video "How to Set a Machine Hour Rate (Step by Step)". Job hours, material and markup are made up.