

# Commission Agreement Creation

This playbook outlines the sequential steps required to construct a commission agreement. The goal is to establish a clear understanding between the seller and an agent or employee regarding the commission structure for sales or services rendered.

## Step 1: **Drafting Basics**

Begin by drafting the fundamentals of the commission agreement including the effective date, the parties involved, and the term of the agreement. Define the responsibilities of both the agent and the seller.

## Step 2: **Define Commission**

Clearly specify the commission structure including the percentage or fixed amount, conditions for commission eligibility, calculation methods, and any tiers or scales involved.

## Step 3: **Payment Terms**

Outline the payment frequency (e.g., monthly, quarterly), payment methods, invoicing procedures, and any specific requirements or deductions such as tax withholding.

## Step 4: **Performance Clauses**

Include any performance metrics or targets that must be met for the commission to be paid, and detail the consequences for not meeting these targets.

## Step 5: **Termination Conditions**

Describe the conditions under which the commission agreement can be terminated by either party, and specify any post-termination commission rights or obligations.

## Step 6: **Dispute Resolution**

Provision for resolving disputes or disagreements over commission calculation or payment, possibly stipulating arbitration or mediation procedures.

## Step 7: **Legal Compliances**

Ensure the agreement adheres to relevant local, state, and federal laws governing commission-based payment arrangements.

## Step 8: **Finalize Document**

Review and clarify any ambiguous terms in the agreement, check for completeness, and make sure both parties agree on all points.

## Step 9: **Signatures**

Both parties sign the agreement, preferably in the presence of a witness or notary for additional legal enforceability.

# **General Notes**

## **Legal Consultation**

Consider consulting with a legal professional or attorney when drafting and finalizing the commission agreement to ensure compliance and proper legal terminology.

## **Record Keeping**

Retain a signed copy of the agreement for both parties' records and maintain confidentiality as per the nature of the agreement.

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