

## **Tips To Reduce Payroll Stress**

When you hire your first employee, you create an entire new task of complying with employment and labor laws and issuing a payroll. Payroll taxes create more administrative burden for small businesses than any other tax, according to the 2015 Small Business Taxation Survey from the National Business Association.

Plus, compliance with payroll laws is a challenge for many businesses. The IRS levied more than \$6.9 million in penalties related to employment taxes for the fiscal year ended September 30, 2014, according to the 2014 Internal Revenue Service Data Book.

### **The Stress of Payroll**

Your payroll responsibilities include making tax payments to appropriate government agencies and filing all the associated paperwork on time. It's not just for the IRS; you have to follow all state rules and laws. If you have employees in more than one state, you have to follow the rules for each state, which vary widely in regards to filing frequencies, deadlines, how you must file, and how you determine taxes.

Payroll stress stems not only from taxes but also from the accounting involved in calculating hours and accrued vacation and sick day pay and tracking other employee benefits.

You can reduce payroll stress by setting up a system. Here are four steps to take.

#### **1. Get the Initial Paperwork Filled Out.**

All new employees must complete a Form W-4, Employee's Withholding Allowance Certificate, which you must submit to the IRS. The exemptions claimed on the form determine the amount of tax you withhold from an employee's pay. Check whether your state requires the completion of any forms.

#### **2. Document How You Process Payroll.**

How often do you pay employees? Some states have specific requirements about pay periods. Are you paying hourly or on salary?

How do you track employee hours? What about overtime: Does your state define overtime as working more than eight hours a day or more than 40 hours a week? How do you handle paid time off (vacation and sick leave)?

How do you manage items such as health plan premiums and retirement contributions that you deduct from employee paychecks and pay to the appropriate organizations?

### **3. Set Up a Tracking System.**

Set up a system to track everything. It could be a manual system using pen and paper or a spreadsheet. You could use accounting and/or payroll software. You or an employee could do the tracking, or you could hire an accountant.

### **4. Pay Taxes and File Paperwork On Time.**

You must pay payroll taxes to the IRS within a specific number of days after you pay employees, though you have eight different payroll periods and two deposit schedules to select from. IRS forms you must file include:

- Employer's quarterly payroll tax return (Form 941)
- Annual Return of Withheld Federal Income Tax (Form 945)
- Annual Federal Unemployment Tax (FUTA) Return (Form 940 or 940EZ)
- Wage and Tax Statements (Form W-2)

For more information, see the IRS Employer's Tax Guide. You also need to learn your state's requirements for paying and filing paperwork.

You can take much of the stress out of payroll by working with a small business professional who understands your business to handle the details. A knowledgeable professional will save you a lot of time and greatly reduce the risk of errors that can lead to penalties. This type of help leaves you to focus on the purpose of your business.