

## EMPLOYER RESPONSIBILITIES

**NOTE THAT THIS INFORMATION IS GENERIC IN NATURE AND INTENDED TO PROVIDE ROUGH GUIDELINES FOR YOUR RESPONSIBILITIES AS AN EMPLOYER. THIS INFORMATION IS NOT INTENDED TO BE USED AS SPECIFIC GUIDELINES FOR ANY STATE, FEDERAL OR CITY GOVERNMENTS REQUIREMENTS. GO-PAYROLL.COM AND GO INDUSTRIES LLC DISCLAIM ANY AND ALL LIABILITY ARISING FROM AND IN CONNECTION WITH THE USE OF THIS INFORMATION. YOU SHOULD CONSULT YOUR ACCOUNTANT OR TAX PROFESSIONAL FOR ASSISTANCE WITH RESPECT TO YOUR OWN INDIVIDUAL REQUIREMENTS.**

So you have been told by your accountant that you have to pay yourself a salary in your small business. What does that involve? What all has to happen? This document will help you understand the ins and outs of being an employer.

### GENERAL TOPICS

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### Register as an Employer

For purposes of this discussion, I am going to assume that you are at ground zero, and have done nothing whatsoever to start the process. The very first thing you need to do is to obtain an EMPLOYER IDENTIFICATION NUMBER. This is crucial. This number is issued by the IRS, and chances are very good that your accountant or attorney got this number for you when your business was formed. Locate this number. If you do not have one, you can go to:

<http://www.irs.gov/formspubs/index.html>

and download form SS-4, which is an application for an employer identification number. Fill in the form and submit it to the IRS. In short order you will have an employer identification number. This in essence gets you started with the federal government. With your EIN (Employer Identification Number) you can withhold Federal Income Tax, Social Security Tax (FICA) and Medicare from your employee's (and your) paychecks, and pay that money to the government. The details of how this is done are explained [below](#).

Now you need to register with the state in which you are doing business. This may be (in some states) a two step process. All but 9 states have state income taxes, which must be withheld from employee paychecks and paid to the state. In addition, you will be required to pay into the state's unemployment fund. Most every state now has a website that can assist you in getting registered. For example, here in Michigan, you can go to:

<http://www.michigan.gov/uia/0,1607,7-118--89978--,00.html>

and register for all your employer taxes in the same place. Some states are not quite as simple, but you can determine what is required by googling: 'Register as a XXXXXXXX employer' substituting your state for the XXXXXXXX. Or you can ask your accountant.

Finally, you may be liable for city and/or county withholding taxes. You must determine whether the city in which you do business has a municipal income tax. This is not as common. Large cities such as New York, Cleveland and Detroit have such taxes.

Once you have registered as an employer, you will receive a variety of paperwork. Look over the paperwork very carefully to determine what your reporting and payment deadlines are. For example, does your state expect you to pay your withholding tax monthly, quarterly or in some other fashion?

***This is crucial information.***

In addition, you will be given an UNEMPLOYMENT INSURANCE RATE and LIMIT. This is very important information as well.

Make absolutely sure you understand your deadlines, and what and when you are expected to report and pay.

GO-PAYROLL.COM will properly withhold and report your taxes, making it easy for you to provide the needed payments and reporting to all the federal, state and local authorities.

Some general deadline guidelines are listed [below](#).

## **Some Other Miscellaneous Notes**

It is likely that if you have employees other than yourself that you may have to buy and maintain a worker's compensation insurance policy. Consult your insurance professional to make this determination. If you then want to track your worker's compensation wages, you can easily do so in GO-PAYROLL.COM.

The same is true if you are planning to offer benefits such as health insurance or a retirement plan. These things are best handled by a professional. Once these benefit packages are in place, we can show you how to set them up in GO-PAYROLL.COM.

## How Federal Deposits Work

When you do payroll, the system calculates what you owe to the federal government for 941 taxes (federal withholding and Medicare). In general, you withhold federal income tax, FICA and MEDICARE taxes from each employee, and then you as the employer MATCH the FICA and MEDICARE taxes. The total of all this is then paid in what we call a FEDERAL DEPOSIT. Let's say that you pay only yourself, and that you pay yourself \$1000 per month. You withhold \$75 in federal income tax, and 62.00 in FICA (the rate is 6.20%). You also withhold 14.50 in MEDICARE (the rate is 1.45%). Your federal deposit will be as follows:

Federal Income Tax:	75.00
FICA Withheld	62.00
Matching FICA	62.00
Medicare	14.50
Matching Medicare	14.50
TOTAL OWED	228.00

How is this paid? If you are a small employer who will pay less than \$50,000 into the Fed in a year's time, you may pay your accumulated taxes on the 15<sup>th</sup> of the month following the month of withholding. So, in the above example, at the end of the month in which you paid yourself the \$1000, you would have accumulated \$228 in taxes, which would be due on the 15<sup>th</sup> of the next month.

If you are a larger employer (greater than \$50000 per year), your deposit is due on the 3<sup>rd</sup> business day following payday.

Once per quarter, you will also be required to make a deposit of FEDERAL UNEMPLOYMENT TAXES. This is an employer expense. The rate is .08% of the first \$7000 of each employee's wages. This is due quarterly.

How are these taxes paid? There are 2 ways. You can write a check, fill in a coupon provided by the IRS and take the deposit to your bank, provided it is a National Bank.

An easier and better way is to register with the EFTPS (Electronic Federal Tax Payment System). You can register here:

<https://www.eftps.gov/eftps/>

This way, you can call or go on line and have the money transferred directly from your bank account.

## State and Municipal Withholding

You will be required to pay your state (and municipal) withholding taxes on a regular basis, usually depending on how much the taxes amount to. Make sure to check your individual state's requirements to make sure you pay on time.

GO-PAYROLL.COM will provide you the necessary amounts due.

## Paying State Unemployment

On a quarterly basis, you are required to report and pay into your state unemployment fund. Even if you are the sole employee (and own the company) you must report and pay. Your state will provide appropriate forms for you to use. Generally GO-PAYROLL.COM's generic state unemployment report can be stapled to the state form and is acceptable in most states. There are exceptions, such as Texas and California, where we have the special requirements built into our program.

## Some Basic Deadlines

- 3<sup>rd</sup> business day after payday – Larger employers must pay their accumulated federal withholding, FICA and MEDICARE taxes
- Each Month on the 15<sup>th</sup> – smaller employers must pay their accumulated federal withholding, FICA and MEDICARE taxes
- 30-31<sup>st</sup> of each month – Monthly payers of state income taxes must pay (NOTE SOME STATES HAVE DIFFERENT DUE DATES – MAKE SURE YOU PAY ON TIME!!!)
- End of January, April, July and October – State unemployment forms and payments are due, as well as deposits for Federal Unemployment (FUTA).
- End of January, April, July and October- You must complete and file Federal form 941, the employer's quarterly return. This form reconciles your taxes withheld and matched and provides the IRS the evidence that you have met all your obligations as an employer.

## Year End Reporting

At the end of the year, you are required to provide each employee a Form W2 by the 31<sup>st</sup> of January. GO-PAYROLL.COM will provide you a PDF file containing these forms on a timely basis. It is your responsibility to get them to your employees.

By March 31, you are required to submit your W-2 forms electronically to the Social Security Administration. To accomplish this, you need to register with SSA, and can do so here. They will provide you a user ID and pin number, and GO-PAYROLL.COM will provide you the file you need to upload to SSA.

Register with SSA here: <http://www.ssa.gov/bsowelcome.htm>

In addition, you are required to complete form 940 which is a FEDERAL UNEMPLOYMENT TAX return. GO-PAYROLL.COM will provide you all the information needed to complete this form.