



STRATEGIES FOR Success

PAYROLL IS MORE THAN WRITING CHECKS

As an owner, you are responsible for processing payroll, collecting taxes and paying them to the authorities on time. Do you know how?

The responsibility of processing payroll doesn't end with signing your employees' checks. Even for a small company with only a few employees, payroll can turn into a nightmare. You as the owner are accountable for knowing what taxes to collect and for collecting the correct amount. You are also responsible for knowing what forms to complete and when to submit them. Needless to say, those forms must be accurate.

What taxes you withhold, if any, are determined by the worker's status (i.e., if the worker is an independent contractor or an employee.) There are several tables for withholding taxes, including federal, state and Social Security (FICA), so you'll need to categorize the employee properly to determine what taxes should be withheld. If the worker is an independent contractor, then no taxes need be withheld.

The major factor that determines if a person is an independent contractor and not subject to withholding taxes is whether the employer controls only the final result and not how the work is accomplished.

If you do your own payroll processing, you need to know how and when to submit the following reports: W-2 (Wage and Tax Statement), 940 (Employer's

Annual Federal Unemployment Tax Return), 941 (Employer's Quarterly Federal Tax Return, used by employers to report Social Security, Medicare, federal income taxes and advance earned income credit payments), 8109 (Federal Tax Deposit Coupon) and various state reports. If someone else does your payroll, you should at least spot check the reports they submit.

Payroll errors cost owners time and money to correct, not to mention the possibility of inviting inquiries from the Internal Revenue Service. There are severe and costly penalties for making mistakes on payroll reporting procedures—up to a 100% penalty can be imposed on the person filing the reports.

Every employer required to withhold taxes is liable for the payment of these taxes, whether or not they are collected from the employee.

An employer must preserve all records on payments of employment taxes (income tax withholding, Social Security taxes, federal unemployment tax and advance earned income credit) for at least 3 years.

For more about payroll and all it entails, be sure to contact our office. We can help you take the bite out of payroll so you can focus on your growing business.

Mark E. Gabriel

**Comprehensive
Accounting
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