ACACIA (HR) solutions

Payroll & Tax Compliance Checklist for Small Employers

Keeping payroll compliant is crucial for small employers. Use this checklist to stay on top of tax deadlines, reporting requirements, and payroll best practices.

PAYROLL SETUP & EMPLOYEE CLASSIFICATION

- [ ] Apply for Federal and all State, Local Tax ID's. Remember, having remote employees means having state id's for every state an employee works in.

- [ ] Ensure accurate setup state required insurances such as disability or workers' compensation

- [ ] Verify all employees are correctly classified as **W-2 employees or 1099 independent contractors**

- [ ] Ensure all employees have completed **Form W-4 (Employees) or Form W-9 (Contractors)**

- [ ] Confirm all employees are classified correctly as **Exempt vs. Non-Exempt under the FLSA**

PAYROLL PROCESSING & RECORDKEEPING

- [ ] Run payroll on a **consistent schedule** (weekly, biweekly, or monthly)

- [ ] Keep accurate records of **hours worked, wages paid, and deductions (best to use technology versus spreadsheets or manual entry)**

- [ ] Provide **pay stubs with all relevant info** to employees as required by state law

- [ ] Maintain payroll **records for at least 3–7 years** (varies by state)

TAX WITHHOLDING & REPORTING

☐ Withhold federal, state, and local income taxes as required

☐ Withhold and pay **Social Security and Medicare (FICA) taxes**

☐ Calculate and pay **unemployment taxes (FUTA & SUTA)**

☐ Key Federal Tax Deadlines: *The payroll provider should do all of this, but you should audit and ensure it is happening correctly.

  ☐ **Monthly or Semi-Weekly Deposits:** Submit **federal payroll tax payments via EFTPS**

  ☐ Quarterly Filing: **File Form 941 (Employer's Quarterly Tax Return)**

Annual Filing:

☐ File **Form 940** (FUTA Tax Return)

☐ Distribute **W-2s (Employees) and 1099s (Contractors) by January 31**

☐ File **Forms W-2 and W-3** with the SSA and **Forms 1099 and 1096 with the IRS**

PAYROLL COMPLIANCE & BEST PRACTICES

☐ Process payroll via HR Software that helps with much of the **administrative burden of running payroll.**

☐ Ensure payroll software or provider is **up to date with tax rates. Send all notices as soon as you get them.**

☐ Set up **direct deposit or electronic payment options for employees** to reduce manual checks

☐ Create a checks and balance system with payroll ensuring appropriate approvals and double checks are in place to minimize errors.

☐ Stay informed on **minimum wage changes and overtime rules in all states the business operates in.**