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Tips for Avoiding Payroll Mistakes

Payroll processing and payroll return errors can be extremely costly, so we want to make sure that you are up-to-date with the latest payroll topics. Here are some tips to help you avoid common mistakes that can result in paying costly penalties and interest charges.

- ***Know the latest laws and regulations.*** Not applying or incorrectly applying federal, state, and local laws can put a business owner at risk. Be sure to stay up to date with the latest tax tables, rates and frequency filing requirements. For updated Federal, Kentucky, Ohio, and Indiana tax withholding tables, please view the following: <http://www.irs.gov/pub/irs-pdf/p15.pdf>, <http://www.revenue.ky.gov/wht/>, http://tax.ohio.gov/divisions/employer_withholding/index.stm, and <http://www.in.gov/dor/4100.htm>.
- ***Make payroll deposits and payments timely.*** Deposit requirements are based on the total taxes reported on Form 941 from a four-quarter, look-back period. The states use a similar method to determine filing requirements, and most local withholdings are paid on a quarterly basis. Making these payments late will result in unwanted penalties and interest.
- ***Prepare the correct payroll returns.*** Employers must ensure that they are filing the proper Federal, State, and local payroll returns. There may be additional withholdings and filing requirements if employees are working in multiple states or localities. It is the employer's responsibility that the correct withholdings and filings are made.
- ***Correctly process wage attachments including garnishments, levies and child support orders.*** It is the employer's responsibility to ensure that withholdings and remittances are properly deducted for such attachments, so be sure employees are having the appropriate attachments deducted from their payroll checks. The Department of Labor has provided information regarding this matter on the following link <http://www.dol.gov/Compliance/Guide/garnish.htm>.
- ***Audit your payroll software.*** Download tax tables from the IRS and state websites to perform "spot checks" every so often to ensure that withholdings and tax payments are correctly calculating in your software. In addition, continue to download all payroll updates requested by the software to guarantee the accuracy of your payroll processing.

- ***Correctly classify employees.*** Do not classify employees as contract workers. Doing so may lead a business owner to be responsible for reporting and paying employment taxes and possibly back taxes for misclassifying an employee as an independent contractor. In addition, incorrectly classifying employees could open the door to Federal or state employment audits that can cost a company time and money. For more information on classifying a worker as an employee versus an independent contractor, please visit <http://www.irs.gov/businesses/small/article/0,,id=99921,00.html>.
- ***Accurately report fringe benefits.*** Fringe benefits should be reported as income, and the properly withholdings should be deducted. Significant penalties can be incurred when fringe benefits are not reported as required. Please visit <http://www.irs.gov/publications/p15b/index.html> for more information regarding this topic.
- ***Maintain updated W-4 forms from all employees.*** Business owners should have employees complete new W-4 forms each year at a minimum to make certain that the correct social security number, name spelling, address, and number of exemptions are being used when processing payroll and preparing payroll returns. A copy of the 2010 W-4 can be found at <http://www.irs.gov/pub/irs-pdf/fw4.pdf?portlet=3>.

Bertke and Sparks CPAs, Inc. can assist you with the necessary information and advice needed to guarantee that your payroll processing and payroll return preparation is done correctly. Please give us a call, and we can assist you with payroll software selection and implementation or we can even prepare your payroll returns and process payroll for you.