8 Easy Steps For Setting Up Your Super Small Biz Payroll

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Everyone loves a payday!
Hi, I'm LynMarie, Super Small Business Consultant and Attorney.
As your business grows, you will need a payroll system. Here's how to set up your system the easy way!

Whether you are a sole proprietor or have a few employees, you will need to implement a reliable system for paying yourself and your staff.

Payroll doesn't have to be complicated, but it does need a firm commitment to be completed properly. Follow these easy tips and steps to set up a payroll system that works for your super small biz.

Before you review the basic requirements to begin payroll, you will need:

- EIN (Employer Identification Number) - this identifies your business. It is free and easy to set up, and you can obtain it from the [IRS website](#) directly. You will need this before you can hire any employee.

- Employee Handbook - this is a guide to any current or new staff regarding business policies and procedures.

Basic Payroll Requirements:
- **EIN**
- **Follow State Requirements**
- **Staffing Categories**
- **Determine A Pay Schedule**
- **Create Employee Handbook**
- **Choose Your Payroll System**
- **Designate A Payer for Payroll**
- **Check New Hire Stipulations**

Review of Payroll Basic Requirements

1. **EIN** - This is needed for filing employment tax forms and business tax returns. You can apply online for this number if your principal business is located in the

United States or U.S. Territories. There are also benefits to having the EIN, such as avoiding tax penalties and it's protection against identity theft.

2. **<u>State Requirements</u>** - The state you reside in may have an additional requirement for you to register your business and be issued a state identification number. The Small Business Administration has a useful [state-by-state resource](#) where you can check the requirements for your state.

3. **<u>Staffing Types</u>** - Identify the type of staff you intend to hire, are they contractors or employees? You will need to establish the types of staff for filing the correct paperwork and for employees, withholding taxes. Use the [IRS guide](#) to help you determine employee categories.

4. **<u>Determine A Pay Schedule</u>** - A common pay cycle is bi-weekly, or paying staff every two weeks, but you can set up your own schedule based on your super small business income. Follow your state minimum wage requirements when conducting your payroll.

5. **<u>Employee Handbook</u>** - this is a guide for you and all your staff to follow. The handbook should contain company policies, rules for staff to adhere to, the

process of hiring and terminating employees, and their legal rights.

6. **<u>Choose Your Payroll System</u>** - You have some choices, you can use a software system to do it yourself or utilize a payroll services company to do it for you. Many payroll software systems now have features that allow you to file quarterly tax returns or automate payroll entries.

7. **<u>Designate a Payer For Payroll</u>** - Being a super small business, you may decide to do the payroll yourself or designate a knowledgeable employee to complete it instead. It is important that your staff get paid at the designated time and the correct pay allocated to them to avoid any conflicts.

8. **<u>New Hire Paperwork</u>** - New staff joining your company will need two forms:
   - W4 - This has information to deduct the correct tax amount for the employee.
   - I-9 - This form verifies the employee is eligible for employment in the United States.

If you are hiring an independent contractor, you will need a form W-9, but you do not need to withhold any taxes on this form.

You will need to verify each new employee's name and social security number and file a new hire report to your state **within 20 days**.

It is important to keep updated on payroll, especially if your staff work flexible hours or have to change their work schedule for any reason. It is wise to have a system in place that can capture any changes as they occur. Very often a payroll software system has a feature built in where staff themselves can report changes ahead of the next pay cycle.

Any system you implement for payroll should be monitored to ensure it is working well for your business. Software systems can generate reports for tracking spending and hours worked so you know what your expenditures are. Invest in a good system to ensure continuity of staff pay and avoid any payment problems.

"Before anything else, preparation is the key to success."

(Alexander Graham Bell, inventor) ssbs24