

Payroll - The Nuts & Bolts

**A BASIC OVERVIEW OF THE
PAYROLL PROCESS FOR
SMALL BUSINESSES**

2023 EDITION



Wyoming
SBDC
Network

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This publication is based on “So You’ve Hired Your First Employee: A Basic Overview of the Payroll Process for the Small Business Owner,” originally written by Lori Durden, Lynn Vos and Michelle Wright, of The University of Georgia, Small Business Development Center, 1180 E. Broad Street, Chicopee Complex, Athens, GA 30602-5412, (706) 542-2762.

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Step 1: Obtain Federal & State Identification Numbers

FEDERAL EMPLOYER IDENTIFICATION NUMBER (EIN)

Employers are required to withhold, deposit and report employment taxes for their employees. To file Federal employment tax returns, you need an Employer Identification Number (EIN). Your EIN is a nine-digit number assigned by the IRS to identify employer tax accounts and certain other entities with no employees. Any company that has employees other than the owner must have an EIN. The EIN is specific to a business, just like the Social Security number is specific to an individual. Some agencies will request your "TIN." (Taxpayer Identification Number) or ITIN. If you have an EIN, that is also your TIN/ITIN. If you do not have an EIN, then your Social Security Number is your TIN. If you have more than one business, a separate EIN is required for each. Use your EIN on anything that you send to the IRS and/or the Social Security Administration (SSA). Generally, businesses need a new EIN when ownership or business structure has changed.

Businesses can apply for an EIN online, by fax, or by mail, depending on how soon you need to use the EIN. For applicants located in the United States or U.S. possessions, the easiest/preferred way to apply for an EIN is to visit the IRS website and apply online. Your EIN will be issued and can be used immediately. Applicants must have a valid Taxpayer Identification Number (SSN, ITIN, EIN). **NOTE:** The SS-4 application form asks for the full legal name of the entity and the "Type of Entity," so you must file with the Wyoming Secretary of State first if you are planning on registering as an LLC or Corporation.

EIN Information: <https://www.irs.gov/pub/irs-pdf/p1635.pdf>

SS-4 Instructions: <https://www.irs.gov/pub/irs-pdf/iss4.pdf>

SS-4 Form: <https://www.irs.gov/pub/irs-pdf/fss4.pdf>

Apply Online

<https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online>

Apply by FAX Complete Form SS-4 and FAX to **1-855-641-6935**.
Long distance charges will apply.

Mail Form to: Internal Revenue Service
 ATTN: EIN Operation
 Cincinnati, OH 45999

Processing for mailed forms can take as long as 4-5 weeks.

Paper Forms: **1-800-829-3676**


Once issued, you can use your EIN immediately for most business needs, such as opening a bank account, applying for a business license or filing a tax return. If you have not received your EIN by the time you must file a tax return, write "Applied For" in the space provided for your EIN.

All businesses receiving a new EIN are automatically pre-enrolled in the Electronic Federal Tax Payment System (EFTPS), enabling you to make all federal tax payment electronically. For additional information about EFTPS, see page 12.

WYOMING UNEMPLOYMENT AND WORKERS' SAFETY AND COMPENSATION ACCOUNT REGISTRATION

Any business conducting work in the State of Wyoming or hiring a Wyoming resident as an employee must register with the Division of Workforce Services to have coverage determined.

To establish a required joint Wyoming Unemployment and Workers Safety and Compensation business account, register online. If you are a corporate officer, LLC member, sole proprietor or partner in a business, you can elect to obtain Workers' Compensation coverage. This coverage must be requested in writing on an "Affidavit of Coverage."

UI General Information:	http://wyomingworkforce.org/businesses/ui/
WC General Information:	http://wyomingworkforce.org/businesses/workerscomp/es/
Joint Registration Website:	https://wyui.wyo.gov/benefits/home.do
Unemployment:	(307) 235-3217 dws-csp-uitaxhelp@wyo.gov 
Workers' Comp Assistance:	(307) 777-6763 DWSwcemployerservices@wyo.gov
Coverage Information:	http://wyomingworkforce.org/businesses/workerscomp/ooi/
Request Affidavit of Coverage:	(307) 777-6763

Step 2: Obtain and Retain Necessary Employee Information

FEDERAL FORM W-4

Employees must complete a Form W-4, “Employee’s Withholding Allowance Certificate” when hired, instructing the employer to withhold the correct amount of federal income tax from the employee’s pay. A new Form W-4 is necessary whenever an employee’s personal or financial situation changes. Because of the 2018 changes to the tax law, the IRS encourages everyone to do a quick “payroll check-up” using their Tax Withholding Calculator to be certain that the correct amount of tax is being withheld. Generally, an employee may claim exemption from federal income tax withholding if he or she had no income tax liability in the previous year and expects none this year.

Prior to 2020, employees could opt to increase employer income tax withholding by decreasing the number dependents on their W-4 form to cover additional income sources. Allowances are no longer used on the redesigned Form W-4. Due to changes in the law, employees completing the current W-4 Form can claim only one standard deduction on each tax return, regardless of the number of jobs. If an employee has more than one source of income or is married filing jointly, with both the employee and spouse working, more money should usually be withheld. Step 2 of the redesigned Form W-4 lists three different options an employee can choose from to make the necessary withholding adjustments.

Form W-4 w/instructions: <http://www.irs.gov/pub/irs-pdf/fw4.pdf>

Paper Copies: 800-829-3676

IRS Withholding Calculator: <https://www.irs.gov/individuals/tax-withholding-estimator>

FEDERAL FORM I-9

All U.S. employers must complete and retain a Form I-9 for each individual hired in the United States. This includes citizens and noncitizens. The employer must examine the employment eligibility and identity document(s) presented by each employee to determine whether the document(s) reasonably appear to be genuine and relate to the individual, and then record the information on the Form I-9. This form is not filed, but must be retained by the employer, either for three years after the date of hire or for one year after employment is terminated, whichever is later. We recommend that employers copy the documents used for the determination and retain those copies in the employee’s personnel file.

VERIFICATION OF EMPLOYEE SSNs

When you hire a new employee, always verify the name and Social Security Number. Ask to see their Social Security card, if available. Although not required, you may photocopy the card for your records. An employer can be assessed a penalty for submitting a W-2 form where name and Social Security Numbers do not match. You can use the Social Security number verification service to verify up to 10 names and Social Security Numbers instantly, or upload batch files of up to 250,000 names and numbers. This service will tell you if the name and Social Security Number match. If the name and number do not match, you must obtain the correct information from the employee. Be aware that a person may have a valid SSN, but not be authorized to work in the United States. To confirm the eligibility of an employee to work in this country, E-Verify, a Homeland Security website, allows enrolled employers to confirm employee eligibility to work in this country.

Social Security Number Verification Service: <https://www.ssa.gov/employer/ssnv.htm>

E-Verify: <https://www.e-verify.gov/>

WYOMING NEW HIRE WEBSITE/FORM

In 1996, Congress enacted a law called the “Personal Responsibility and Work Opportunity Reconciliation Act,” or PRWORA, as part of Welfare Reform. This legislation requires employers in all states to report new hires and re-hires to a state directory. The purpose of new hire reporting is to speed up the child support income withholding order process, expedite child support collection from parents who change jobs frequently, and quickly locate non-custodial parents to help establish paternity and child support orders. New hire reports must be filed within 20 days of hire. Employers and/or labor organizations doing business in the State of Wyoming must report the following employees:

New Employees: All employees who reside or work in the State of Wyoming to whom the employer anticipates paying earnings. Report employees, even if they work only one day and are terminated.

Re-hires or Re-called Employees: Report re-hires, or employees returning to work after being laid off, furloughed, separated, granted a leave without pay, or terminated from employment. Employers must also report any employee who remains on the payroll during a break in service or gap in pay, and then returns to work. This includes teachers, substitutes, seasonal workers, etc.

Temporary Employees: Temporary agencies must report any employee who they hire for an assignment. Employees need to be reported only once, upon hire; they do not need to be re-reported each time they report to a new client. They should be reported as a re-hire if the worker has a break in service or gap in wages from your company.

Website w/instructions: <http://newhire-reporting.com/WY-Newhire/instruct.aspx>.

Print Form to Mail: <https://newhire-reporting.com/WY-Newhire/PrintForm.aspx>

Information: **(800) 970-9258.**

Step 3: Pay the Employee

DETERMINE GROSS PAY

In our example, John Jones is paid by the hour and receives his paycheck biweekly. To determine his gross pay, we take the number of hours worked and multiply by his pay rate. John Jones' hourly rate is \$13 per hour, and he works 40 hours per week, or 80 hours in two weeks. Assuming that John has not worked over 40 hours per week and is not eligible for overtime pay, his gross biweekly pay will equal 80 hours X \$13 = \$1,040.

DETERMINE NET PAY

Federal Income Tax Withholding

All employees are subject to federal income tax withholding. Wyoming has no state income tax. To determine the correct amount to withhold for Federal income taxes, employers should refer to the most recent Form W-4 completed by the employee. To compute the correct withholding amount, look-up the amount in the tax tables located in IRS Publication15-T.

In our example, John Jones has completed the new version (2020) of the W-4 form and has not requested any additional withholding. He is paid biweekly, and is married, filing jointly. Using the "manual method," with gross biweekly income of \$1,040, John is subject to \$5 Federal Income Tax withholding for this pay period.

Pub 15-T Tax Tables:

<https://www.irs.gov/pub/irs-pdf/p15t.pdf>

FICA Taxes

Social Security and Medicare comprise FICA (Federal Insurance Contributions Act) taxes. Employees and employers each pay half of the total Social Security (SSI) and Medicare (M/C) taxes due. The employer is responsible for withholding the employee contributions to SSI and M/C from the employee's paycheck and paying the matching employer contributions.

Total Social Security tax is currently 12.4% of gross wages, which amounts to a payment of 6.2% of gross wages each for both the employer and employee. Up to \$160,200 of an employee's gross annual wages are subject to this tax. Total Medicare tax is currently 2.9% of gross wages. The employer is responsible for paying 1.45%, and the employee is responsible for paying 1.45% of this tax, with no wage limit. For higher income individuals, an additional 0.9% is assessed. The income threshold for the extra payments depends on filing status. Single employees making over \$200,000, couples married filing jointly earning over \$250,000, and married individuals filing separately earning over \$125,000 in a calendar year, must pay the additional Medicare Tax. These thresholds include self-employment income. There is no employer match for the additional tax. Employers are required to begin withholding the additional M/C tax in the pay period when wages exceed the legal limits and must continue to withhold the extra tax each pay period until the end of the calendar year. See Sample Employee Payroll Worksheet on page 6.

For the majority of employees, the employer and employee will each pay 7.65% for combined FICA taxes. John Jones' employer-paid FICA taxes are as follows. The employer will withhold the matching amount from John's paycheck.

Social Security:	$\$1,040 \times 6.2\% = \64.48
Medicare:	$\$1,040 \times 1.45\% = \15.08
Total FICA:	\$79.56

SAMPLE EMPLOYEE PAYROLL WORKSHEET

NAME:	John Jones
SOCIAL SECURITY #:	532-13-8513
ADDRESS:	821 Chestnut Street
CITY/STATE/ZIP:	Casper, WY 82601
FILING STATUS:	Married
ALLOWANCES:	3
DATE HIRED:	5/7/2012
PAY RATE:	\$13/hour
PHONE NUMBER:	(307) 123-4567

DATE	CHECK #	HOURS	RATE	GROSS WAGES	FEDERAL W/H	EMPLOYEE SSI, 6.2%	EMPLOYEE M/C, 1.45%	NET WAGES
6/16/2023	106	80	\$13.00	\$1,040.00	\$5.00	\$64.48	\$15.08	\$955.44
5/30/2023	100	80	\$13.00	\$1,040.00	\$5.00	\$64.48	\$15.08	\$955.44
Monthly Total		160	\$13.00	\$2,080.00	\$10.00	\$128.96	\$30.16	\$1,910.88

Step 4: Pay and Report Taxes

To correctly pay and/or report your federal tax liabilities, if you are not using an accounting software program that creates payroll reports for you, create a monthly recap sheet detailing your employees' gross wages and withholding amounts. In the preceding section, we explained how to determine employee net pay. The following table is an example of a monthly Company Payroll Recap Worksheet that includes calculations for the monthly tax liabilities owed by the employer. In addition to the FICA taxes, the employer must pay 100% of Wyoming and Federal Unemployment Taxes (FUTA) and Wyoming Workers' Compensation Insurance for each employee. These taxes will be explained in more detail on the following pages. Note that this employer is paying 15.5% of the employee's gross wages in taxes.

PAYROLL RECAP – MAY 2021

SBDC Landscaping Company

Monthly Employee Recap						Monthly Employer Taxes					
EMPLOYEE FICA TAXES						EMPLOYER MATCHING FICA					
Employee	Gross Wages	Federal** W/H	SSI 6.2%	M/C 1.45%	Net Wages	SSI 6.2%	M/C 1.45%	SUTA* 2.5%	FUTA* .6%	W/C* 4.77%	Total Employer Taxes
John Jones	\$2,080.00	\$ 15.00	\$128.96	\$30.16	\$1,905.88	\$128.96	\$30.16	\$ 52.00	\$12.48	\$ 99.22	\$322.82
Tommy Rowe	\$2,080.00	\$ 80.00	\$128.96	\$30.16	\$1,840.88	\$128.96	\$30.16	\$ 52.00	\$12.48	\$ 99.22	\$322.82
Sharon Parker	\$1,040.00	\$101.00	\$ 64.48	\$15.08	\$ 859.44	\$ 64.48	\$15.08	\$ 26.00	\$ 6.24	\$ 49.61	\$161.41
MONTHLY TOTALS	\$5,200.00	\$196.00	\$322.40	\$75.40	\$4,606.20	\$322.40	\$75.40	\$130.00	\$31.20	\$248.05	\$807.05

*SUTA – State Unemployment Tax.

*FUTA – Federal Unemployment Tax. Funds state workforce agencies.

*W/C – Workers' Compensation Insurance

**NOTE: Due to frequent changes in income tax laws, the withholding amount in this table may not be accurate. This chart is intended as an example only..

DEPOSITING EMPLOYMENT TAXES

In general, employers must deposit federal income taxes withheld and both the employee and employer portions of Social Security and Medicare taxes either on a monthly or semi-weekly basis. All federal tax deposits must be made via the EFTPS (Electronic Federal Tax Payment System). Prior to the beginning of each calendar year, businesses must determine which deposit schedule to use. The appropriate deposit schedule is based on the total tax liability reported on Form 941 during a specific four quarter lookback period, as determined by the IRS. If you reported \$50,000 or less in taxes during the lookback period, you are a monthly schedule depositor. If your tax liabilities were more than \$50,000, you must deposit on a semiweekly basis. New businesses are automatically monthly schedule depositors for their first calendar year of business since their tax liability for any quarter in the lookback period was obviously zero. To deposit Federal taxes by electronic funds transfer (EFT), you can register and log into the Dept. of Treasury EFTPS website (see below) yourself or arrange for a third party service provider (tax professional, financial institution, payroll service, etc.) to make electronic deposits on your behalf. There are some exceptions to these rules.

Per our worksheet above, the SBDC Landscaping Company needs to deposit \$991.60 (Employee income tax withholding, SSI and M/C + employer SSI and M/C) for the month of May. For deposit purposes, figure FUTA tax quarterly. For monthly depositors, tax deposits on payroll distributed one month are due by the 15th of the following month. Semi-weekly depositors must deposit for payments made on Wednesday, Thursday, and/or Friday by the following Wednesday. For payments made on Saturday, Sunday, Monday and/or Tuesday, taxes must be deposited by the following Friday. If a deposit is required on a day that is not a business day, the deposit is considered timely if made by the close of the next business day.

Employer's Tax Guide - Publication 15: <https://www.irs.gov/pub/irs-pdf/p15.pdf>

EFTPS (Electronic Federal Tax Payment System)

EFTPS is a system for paying federal taxes electronically, using the Internet or phone. Both methods are interchangeable. All businesses receiving a new EIN and indicating a likely federal tax deposit liability upon application are automatically pre-enrolled in this system. Upon enrollment, a four-digit EFTPS PIN will be sent to you via U.S. mail within five to seven business days after contact. Users must have a secure Internet browser with 128-bit encryption to use the system online, alternatively they can initiate payments by phone.

Once you have your EIN and EFTPS PIN, you must activate your enrollment to begin making payments. The activation process involves obtaining an Internet password and verifying the information about your financial institution (account number, bank routing number; and account type) so that the tax obligation can be debited from your account to the IRS.

Once your EFTPS account has been set-up, users must have three pieces of unique information: EIN or TIN (Social Security Number), four-digit EFTPS PIN, and either the banking information you used to enroll, or the last eight digits of the enrollment number on your PIN letter to login. EFTPS can be used to make all federal tax payments, including income, employment, estimated and excise taxes. As soon as you receive your PIN, you can begin scheduling payments. Businesses and individuals can schedule payments up to 365 days in advance. The payment will occur on the date you indicate. Payments can be scheduled weekly, biweekly, monthly and quarterly. Scheduled payments can be changed or cancelled up to two business days in advance of the scheduled payment date. If you supply your email address when you pay, you can receive a payment status email from EFTPS.

You can initiate tax payments anytime. For EFTPS deposits to be on time, you must submit the deposit by 8:00 PM, Eastern time the day before a deposit is due. If the 15th of the month falls on a Monday, or if there is a holiday between your scheduling date and the payment date, be very careful that there are at least **2 FULL BANKING DAYS** available between your scheduling date and the due date to have your payment accepted. The funds will not move from your account until the date you schedule the transfer. Upon payment, your tax information will be reported to the IRS, and your records will be updated automatically. If EFTPS.gov is unavailable online, you are still responsible for making timely payments by phone.

EFTPS Enrollment Online: <https://www.eftps.gov/eftps/>

EFTPS Guide to Getting Started: <https://www.irs.gov/pub/irs-pdf/p966.pdf>

EFTPS Enrollment Form by Mail: **888-725-7879**

EFTPS Payment Instructions: <https://www.irs.gov/pub/irs-pdf/p4990.pdf>

EFTPS Payments by Phone: **800-555-3453**

FEDERAL FORM 941 – EMPLOYER’S QUARTERLY TAX RETURN

The 941 form reconciles your monthly deposits with your total payroll on a quarterly basis. The form is due by the last day of the month following the end of the quarter. The form is used to **report** the federal income tax, and both the employer and employee portions of Social Security and Medicare taxes that were withheld and paid each quarter. This form is also used to report any withholding on sick pay, supplemental unemployment benefits, and employee tips, plus current quarter adjustments to these taxes.

After the first filing of Form 941, you must file a return each quarter, even if no taxes are due, unless you have filed a Final Return. There are exceptions for seasonal employers, employers of household employees and farm employees, who operate under different rules. File your first 941 Form for the first quarter in which you paid wages that are subject to Social Security and Medicare taxes or federal income tax withholding. The 941 is due by the last day of the month following the end of the quarter (April 30, July 31, October 31, January 31). The form may be filed either electronically or by mail in paper form.

The sample Company Quarterly Payroll Worksheet on page 13 shows SBDC Landscaping Company payroll and taxes for the 2nd quarter. Total gross second quarter wages are \$14,560. Total federal income tax withheld was \$781. Check your total Social Security Tax and Medicare withholding (employer + employee contribution) to be sure your total equals 15.3% of gross wages. Total quarterly deposits should equal total FICA plus federal income tax withheld on your recap sheet.

The SBDC Landscaping Company made all monthly deposits correctly and on time, so no payment is due with the 941 return. The return is mailed to the Internal Revenue Service. Find the address of the IRS center for your area in the instructions for Form 941.

Form 941 Instructions: <https://www.irs.gov/pub/irs-pdf/i941.pdf>

Form 941: <https://www.irs.gov/pub/irs-pdf/f941.pdf>

COMPANY QUARTERLY PAYROLL WORKSHEET

SBDC Landscaping Company
2nd Quarter Payroll Recap Worksheet

*FUTA: Federal Unemployment Tax. Funds state workforce agencies. Applies to first \$7,000 earned per employee/year.

*SUTA: State Unemployment Tax. Applies to first \$27,700 earned only.

*W/C: Workers' Compensation Insurance

APRIL 2023 PAYROLL

Monthly Employee Recap					Monthly Employer Taxes							
			FICA Taxes			Matching FICA						
Employee	Gross Wages	Federal W/H	SSI 6.2%	M/C 1.45%	Net Wages	SSI 6.2%	M/C 1.45%	SUTA* 2.5%	FUTA* .6%	W/C* 4.77%	Total Employer Taxes	
Tommy Rowe	\$1,040.00	\$ 80.00	\$ 64.48	\$15.08	\$ 880.44	\$ 64.48	\$15.08	\$26.00	\$ 6.24	\$49.61	\$161.41	
Sharon Parker	\$1,040.00	\$101.00	\$ 64.48	\$15.08	\$ 859.44	\$ 64.48	\$15.08	\$26.00	\$ 6.24	\$49.61	\$161.41	
Monthly Total	\$2,080.00	\$181.00	\$128.96	\$30.16	\$1,739.88	\$128.96	\$30.16	\$52.00	\$12.48	\$99.22	\$322.82	

MAY 2023 PAYROLL

Monthly Employee Recap					Monthly Employer Taxes							
			FICA Taxes			Matching FICA						
Employee	Gross Wages	Federal W/H	SSI 6.2%	M/C 1.45%	Net Wages	SSI 6.2%	M/C 1.45%	SUTA* 2.5%	FUTA* .6%	W/C* 4.77%	Total Employer Taxes	
John Jones	\$2,080.00	\$ 15.00	\$128.96	\$30.16	\$1,905.88	\$128.96	\$30.16	\$ 52.00	\$12.48	\$ 99.22	\$322.82	
Tommy Rowe	\$2,080.00	\$ 80.00	\$128.96	\$30.16	\$1,840.88	\$128.96	\$30.16	\$ 52.00	\$12.48	\$ 99.22	\$322.82	
Sharon Parker	\$2,080.00	\$202.00	\$128.96	\$30.16	\$1,718.88	\$128.96	\$30.16	\$ 52.00	\$12.48	\$ 99.22	\$322.82	
Monthly Total	\$6,240.00	\$297.00	\$386.88	\$90.48	\$5,465.64	\$386.88	\$90.48	\$156.00	\$37.44	\$297.66	\$968.46	

JUNE 2023 PAYROLL

Monthly Employee Recap					Monthly Employer Taxes							
			FICA Taxes			Matching FICA						
Employee	Gross Wages	Federal W/H	SSI 6.2%	M/C 1.45%	Net Wages	SSI 6.2%	M/C 1.45%	SUTA* 2.5%	FUTA* .6%	W/C* 4.77%	Total Employer Taxes	
John Jones	\$2,080.00	\$ 15.00	\$128.96	\$30.16	\$1,905.88	\$128.96	\$30.16	\$ 52.00	\$12.48	\$ 99.22	\$322.82	
Tommy Rowe	\$2,080.00	\$ 80.00	\$128.96	\$30.16	\$1,840.88	\$128.96	\$30.16	\$ 52.00	\$12.48	\$ 99.22	\$322.82	
Sharon Parker	\$2,080.00	\$202.00	\$128.96	\$30.16	\$1,718.88	\$128.96	\$30.16	\$ 52.00	\$12.48	\$ 99.22	\$322.82	
Monthly Total	\$6,240.00	\$297.00	\$386.88	\$90.48	\$5,465.64	\$386.88	\$90.48	\$156.00	\$37.44	\$297.66	\$968.46	

2ND QUARTER TOTALS

Monthly Employee Recap					Monthly Employer Taxes							
			FICA Taxes			Matching FICA						
Employee	Gross Wages	Federal W/H	SSI 6.2%	M/C 1.45%	Net Wages	SSI 6.2%	M/C 1.45%	SUTA* 2.5%	FUTA* .6%	W/C* 4.77%	Total Employer Taxes	
John Jones	\$4,160.00	\$ 36.00	\$257.92	\$ 60.32	\$3,805.76	\$257.92	\$60.32	\$104.00	\$24.96	\$198.44	\$ 645.64	
Tommy Rowe	\$5,200.00	\$240.00	\$322.40	\$ 75.40	\$4,562.20	\$322.40	\$75.40	\$130.00	\$31.20	\$248.05	\$ 807.05	
Sharon Parker	\$5,200.00	\$505.00	\$322.40	\$ 75.40	\$4,297.20	\$322.40	\$75.40	\$130.00	\$31.20	\$248.05	\$ 807.05	
Quarter Total	\$14,560.00	\$775.00	\$902.72	\$211.12	\$12,671.16	\$902.73	\$211.12	\$364.00	\$87.36	\$694.54	\$2,259.75	

FEDERAL FORM 944 – EMPLOYER’S ANNUAL FEDERAL TAX RETURN

To reduce the burden on small employers, the IRS has simplified the rules for filing employment tax returns to report Social Security, Medicare and withheld federal income taxes for businesses who anticipate that their employment taxes for the calendar year will equal \$1,000 or less. If informed by the IRS, or you have requested and been approved by the IRS, these employers may file and pay employment taxes using Form 944, Employer’s Annual Federal Tax Return. The return is due once a year, by January 31, after the end of the previous calendar year. If the IRS has notified you to file Form 944, you **must** file that form, unless you contact them to request permission to file the quarterly Form 941 instead. This is true even if your employment taxes for the year will be over \$1,000. Household and agricultural employers are not permitted to file Form 944.

New Businesses & First Time Employers

New employers filing Form SS-4, Application for Employer Identification Number, must complete line 13, indicating the highest number of employees expected in the next 12 months, and must check the box on line 14 to indicate whether they expect to have \$1,000 or less in employment tax liability for the calendar year and would like to file Form 944. Based on current tax rates, if you pay \$5,000 or less in wages subject to Social Security and Medicare taxes and federal income tax withholding during the calendar year, you are generally likely to pay \$1,000 or less in employment taxes. New employers will receive a notice from the IRS listing the employment tax form you are required to file. If you hired employees for the first time and were not assigned a specific employment tax return to file when you initially completed your Form SS-4, you must file Form 941, unless you contact the IRS to request to file the Form 944. You must not file Form 944 unless you have received written permission from the IRS that you are eligible to do so.

Changing Form Requirements

If you filed the annual Form 944 for the previous year and want to request to file quarterly Form 941 to report your Social Security, Medicare, and withheld federal income taxes for the 2023 calendar year, or if you previously filed Form 941 and want to report on Form 944 in the future, call the IRS at 800-829-4933 by April 1 of the current year or send a written request postmarked by March 15 of the current year. Written requests should be sent to:

Department of the Treasury
Internal Revenue Service
Ogden, UT 84201-0038

You **must** receive written notice from the IRS to change your reporting form. If you do not receive this notification, continue to file the form you previously used.

Form 944 Instructions:	https://www.irs.gov/pub/irs-pdf/i944.pdf
Form 944:	https://www.irs.gov/pub/irs-pdf/f944.pdf

Federal Tax Deposits

Employers are permitted to file and pay taxes with Form 944 annually if their liability for withheld federal income tax, Social Security, and Medicare taxes is less than \$2,500 for the year. Quarterly deposits for Form 944 filers are required at the point that the tax liability for the year reaches \$2,500 or more. The \$2,500 threshold at which federal tax deposits must be made is different from the estimate of \$1,000 or less that the employer made to be eligible to file Form 944. Due dates for tax deposits depend on your liability. Generally, new employers and small employers will have a monthly schedule. Under the monthly rule, each month's taxes are required to be deposited on or before the 15th day of the following month. Employers owing more taxes will typically be assigned to a semi-weekly deposit schedule, where deposits are due based on a schedule which divides the calendar week into two (semiweekly) sections. See IRS publications listed below for more detailed information. The easiest way to be certain that your deposits are made on time is to deposit the same day you make payroll.

- If total tax liability is **less than \$2,500 for the year**, employment taxes for your business included on Form 944 may be paid when you file Form 944 annually, although you can pay quarterly if you choose.
- If your total tax liability is **\$2,500 or more for the year, but less than \$2,500 for the quarter**, you can deposit by the last day of the month after the end of a quarter. However, if your fourth quarter tax liability is less than \$2,500, you may pay the fourth quarter's tax liability with Form 944.
- If your total tax liability of **over \$2,500 for a quarter**, you must deposit monthly or semi-weekly, depending upon your schedule.

You must make payroll tax deposits using the [IRS EFTPS system](#), regardless of the amount of your payroll tax liability.

Enroll in EFTPS:	https://www.eftps.gov/eftps/direct/EftpsHome.page
Understanding Federal Tax Deposits:	https://www.irs.gov/pub/irs-pdf/p3151a.pdf
Federal Tax Deposit Information:	https://www.irs.gov/pub/irs-pdf/p15.pdf
IRS Business and Specialty Tax Line:	800-555-4477
EFTPS Assistance:	800-829-4933

FEDERAL FORM 940 – EMPLOYER ANNUAL FEDERAL UNEMPLOYMENT TAX RETURN (FUTA)

The Form 940 Annual Return is used to compute your Federal Unemployment Tax Act (FUTA) liability and report any deposits made during the year. Together with state unemployment tax systems, FUTA tax funds unemployment compensation to workers who have lost their jobs. Although the full federal FUTA rate is 6%, Wyoming employers are entitled to a tax credit of 5.4% against this liability, assuming that all state unemployment taxes were paid by the due date of your Form 940 or you were not required to pay state unemployment tax during that period due to your state experience rate. Thus, for most employers, the FUTA tax rate in Wyoming is 0.6%.

FUTA is owed on the first \$7,000 paid to each employee during the calendar year. If you paid wages of \$1,500 or more to employees in any calendar quarter during 2022 or 2023 or had one or more employees for at least some part of a day in any 20 or more different weeks during that period, you must file Form 940. Employers pay 100% of FUTA taxes. Do not collect or deduct FUTA tax from employee wages. If you are not liable for FUTA tax in 2023 because you made no payments to employees, check Box "C" in the top right corner of the form and then sign and file.

Federal Form 940 is due **annually**, on January 31 of the year following the tax year. Normally, employers must remit the annual FUTA tax payment with that report. The report can be filed and the taxes paid electronically, or mailed and the taxes paid via Form 940V attached to the Form 940. The only exception to this rule is if your cumulative FUTA tax liability reaches \$500 prior to the end of the calendar year. At the point where your cumulative FUTA tax liability exceeds \$500, you must deposit at least one quarterly payment. Deposit quarterly FUTA tax payments by the last day of the month after the end of the quarter when your FUTA liability exceeded \$500 via EFTPS. If all FUTA tax was previously deposited, you may file Form 940 by Feb. 10. Many employers choose to deposit FUTA taxes on a quarterly basis to ensure that they are always in compliance.

Form 940 Instructions:	https://www.irs.gov/instructions/i940
Form 940:	https://www.irs.gov/pub/irs-pdf/f940.pdf

WYOMING EMPLOYMENT TAXES

Unemployment Insurance pays temporary benefits to workers who lose a job through no fault of their own, are seeking work, and meet specific requirements. Workers' Compensation Insurance covers employee expenses if injured on the job. Both programs are administered by the Wyoming Department of Workforce Services and are financed entirely by employers.

Wyoming Unemployment Taxes and Workers' Compensation Insurance premiums should generally be submitted quarterly for most start-up businesses. New employers will be issued both an Unemployment Insurance and a Workers' Comp rating, which may be revised annually by the Department, depending on the claim history of the business. If you have registered online, you will automatically be enrolled in the WYUI system where you can file quarterly wage reports and pay taxes online.

If you are a business owner, you can obtain Workers' Comp coverage for yourself by filing an Affidavit of Coverage. Call (307) 777-6763 to obtain this document.

Enroll in WYUI:	WYUI Login
Workers' Comp Information:	http://wyomingworkforce.org/businesses/workerscomp/ (307) 777-6763
Unemployment Information:	http://wyomingworkforce.org/businesses/ui/ (307) 235-3217

Step 5: Other Options

The preceding pages should provide a general understanding of what your payroll obligations are as an employer, how to calculate them, and to whom and when to pay them. Be sure to consult www.irs.gov for more detailed information. Your next decision will be whether to do your own payroll manually, use accounting software, use a payroll service, or have a CPA or bookkeeper handle the task for you.

Hiring an Accountant/Bookkeeper

If you already use either an accountant or bookkeeper to do your tax returns, you may want to have them do your payroll also. These professionals can offer you different levels of service. You may decide to have them calculate the payroll checks and taxes and process the tax returns. Alternatively, you may decide to have them process the tax returns only. Charges for these services will depend upon the level of service you require and the number of employees.

Payroll Services

There are many companies, including banks, who offer payroll services. In addition to the traditional payroll service companies, such as ADP, quite a few of the accounting software providers, such as Intuit and Square, also offer a payroll option. Referrals from other business owners are a good way to find a reliable service. Payroll services will process the payroll checks, make all employment tax deposits, and file all the employment tax returns. You are still legally responsible for the taxes, and government agencies will contact you regarding any problems. Always verify the hours, gross pay and net check amounts before the payroll checks are cut by the service, in case of mistakes. Rates are usually based on the number of employees. There may also be a monthly administrative fee. Be sure you are aware of all the costs of using the service before signing any contract.

Employee Leasing Services

With an Employee Leasing Service, you hire and fire the employees and determine the pay rate for the employee, unlike with a temporary service. The employee is then turned over to the leasing service and becomes their employee. You submit the time sheets for each employee to the service and are then billed for the total payroll, taxes, worker's compensation insurance and the administrative fee. The leasing company pays the employees, pays all associated payroll taxes, and files all payroll returns and forms. They are responsible for the timely submission of payments and reports. You should; however, still verify the payroll reports before the checks are cut. Rates for this type of service are usually based on the number of employees, worker's compensation rates, and will include an administrative service fee.

Accounting Software

There are many accounting software packages available, and most include a payroll module. If you want to have the taxes calculated and access the forms through the software, there is usually an annual subscription fee that may increase as the number of employees increases. Most software packages will allow you to calculate the taxes manually at no additional cost. Some of the more popular accounting software packages include QuickBooks, Xero and Wave.