

Payroll Management

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Note, this presentation is meant to share general information about developing an approach to human resources management. Employers are encouraged to engage an attorney, accountant, consultant and other necessary professionals to ensure that their specific policies and human resources systems satisfy all necessary laws and business standards. The information in this presentation is correct and current to the best of our knowledge. As changes are made to these laws, some of this information could change.

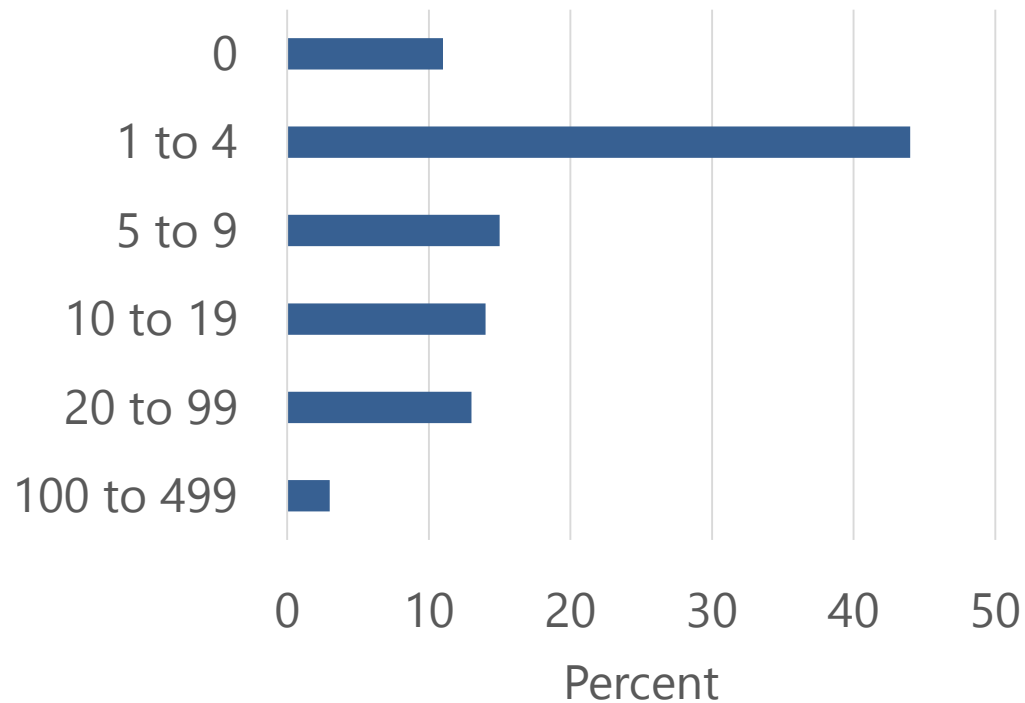
Payroll Management Strategies

- In-house (Manual)
- In-house (Computerized)
 - Intuit/Quickbooks, ADP, Gusto, etc.
- Outsourced
 - Accountant, bookkeeper, payroll company



U.S. Small Business Survey (2018)

How many total full-time personnel are currently employed by your business?



Total survey responses = 953;
(3% in Ag, Forestry, Fishing, Hunting industry)

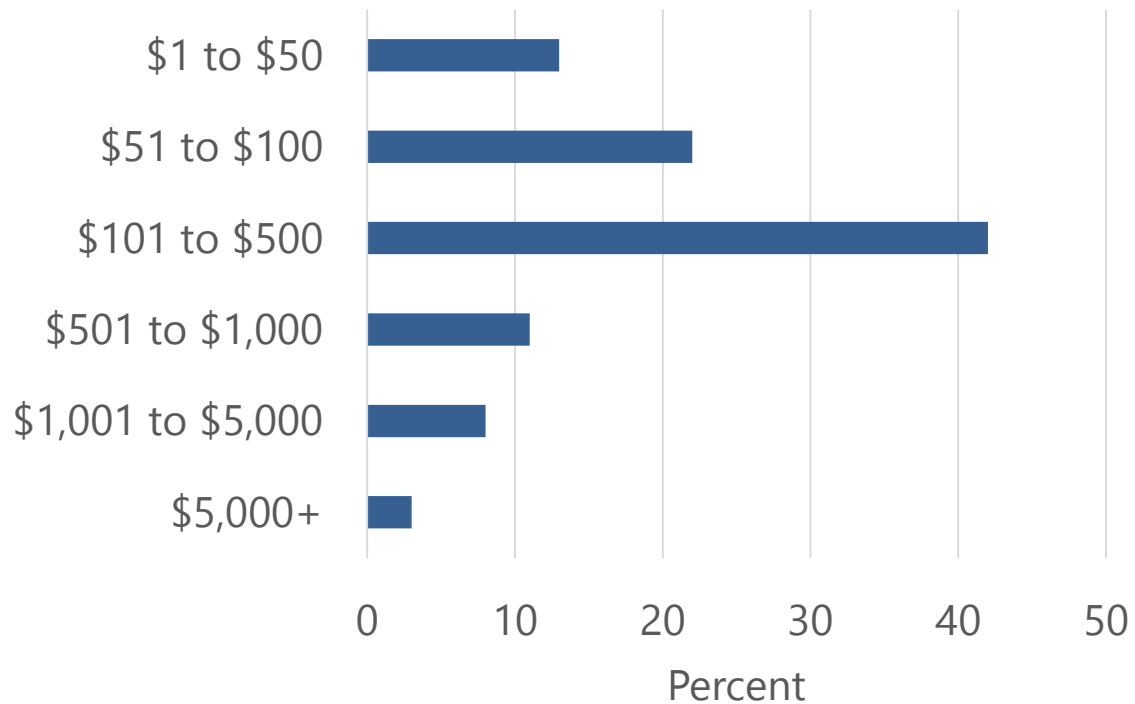
If you handle payroll internally, approximately how much time do you spend on the administration of payroll taxes?

| | |
|-------------------------------|-----|
| No time – I have no employees | 8% |
| 1 to 2 hours per month | 46% |
| 3 to 5 hours per month | 26% |
| 6 to 10 hours per month | 14% |
| More than 10 hours per month | 6% |

Source: National Small Business Association (2018)

U.S. Small Business Survey (2018)

Approximately how much money does your company spend per month with the payroll company?

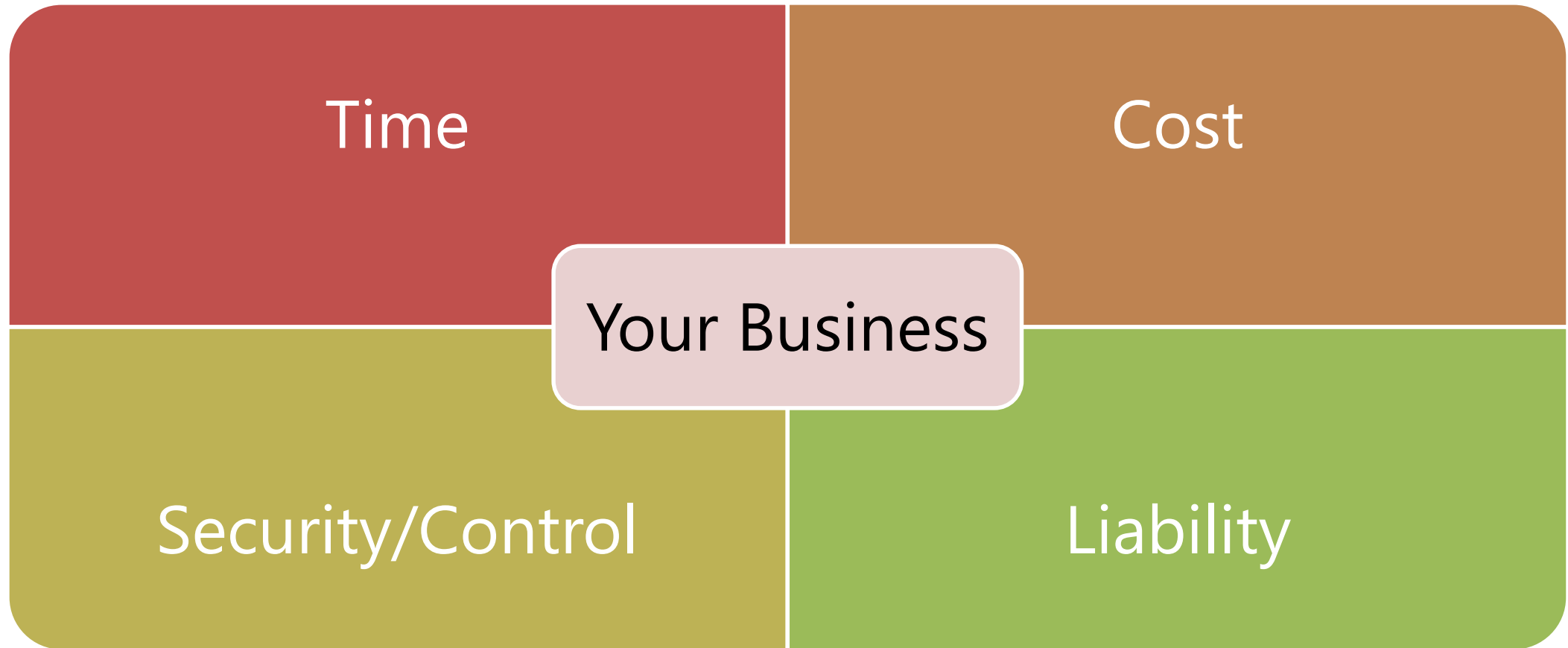


45 percent of the small business owners use a payroll service to prepare their payroll

19 percent of the small business owners handle payroll internally

36 percent of the small business owners had no employees

Considerations for Outsourcing vs. In-House Payroll



Basic Employer Responsibilities

- Collect payroll tax documentation (W-4, MO Form W-4) from employees
- Withhold payroll taxes/pay employees
- File required reports by deadlines
- Send payroll taxes to local, state and federal entities
- Keep good records
 - Track vacation, sick days and overtime
 - Employment taxes (4 years), payroll records (3 years), and wage determination information (2 years)



Federal Withholding Taxes

In general, you must deposit federal income tax withheld, and both the employer and employee social security and Medicare taxes to IRS.

| Type | Rate | Wages |
|-------------------------|--|--|
| Federal income tax | Depends on information on employee (IRS Form W-4) | Applied to all wages |
| Social security tax | 6.2%, for both employer and employee (12.4% total) | Applied to first \$132,900 (2019 base) paid to each employee |
| Medicare tax | 1.45%, for both employer and employee (2.9% total) | Applied to all wages |
| Additional Medicare tax | 0.9% for employee | Earned income great than \$200,000 (single) or \$250,000 (MFJ) |

State Withholding Taxes

- You must deposit state income tax withheld to Missouri Department of Revenue
- Information on Form MO-4 (gross income, deductions, federal tax, withholdings) determines withholding
- Filing frequency varies by amount withheld

Filing Frequency (Use Form MO-941 and Pay by E-Check or Credit Card)

| | Monthly | Quarterly | Annually |
|-----------------------------|--|---|--|
| Employer Withholding Amount | \$500 per month for at least two months during the preceding 12 months | At least \$100 per quarter during at least one quarter of the preceding four quarters | Less than \$100 during each of the preceding four quarters |
| Due Dates | Generally 15 th of the month, but mirrors quarterly dates | May 1, July 31, October 31, January 31 | January 31 |

State of Missouri's
Employer's Tax Guide
https://dor.mo.gov/forms/4282_2018.pdf

Ag Employer Unemployment Taxes

Only Employer Pays FUTA and SUTA taxes

| Type | General Eligibility | Rate | Wages |
|---|--|--|---|
| Federal Unemployment Tax (FUTA) | Pay \$20,000 or more per quarter; or employed 10 or more workers during 20 or more different weeks in current or preceding year. | 6.0 percent rate; but could be lowered if MO program qualifies (5.4 percent credit). | First \$7,000 paid to each employee |
| State Unemployment Insurance Tax (SUTA) | Meets FUTA eligibility. Successor to liable Missouri employer. | Range from 0% to 9.0%; New Employer Rate (2018) = 2.511% | Taxable Wage Limit (2018) = \$12,500 per employee |

Tips on Investigating Services/Software

Payroll

- **Price/Service**
 - Learn base rate and extra costs per employee?
 - Understand different tiers of services offered?
 - Technology use and how it would integrate into your business?
 - Your time needs for utilizing the service/software
- **Reputation**
 - Ask for references and interview clients
 - Seek endorsements from other ag employers
- **Liability**
 - Insured and bonded?
 - If mistakes happen, what is their time frame to correct?

Improve your Payroll Program

- A well developed payroll program is important:
 - Clarity in policies and procedures to all employees
 - Timeliness for completing necessary forms/reports and paying entities
 - Accuracy in payroll tax assessment
 - Periodically investigate options to improve or streamline your payroll operations
 - Stay current on tax law changes that affect your operation (and your finances)

Other Thoughts

According to the IRS, U.S. civil penalties assessed related to employment taxes totaled **\$6.9 billion** in fiscal year 2017

Common penalties include:

Failure to file

Failure to pay

Failure to pay proper estimated tax

Bad checks

Don't be one of these businesses, make sure your ag business stays in compliance

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NORTH CENTRAL
**EXTENSION
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EDUCATION**



United States
Department of
Agriculture

National Institute
of Food and
Agriculture

Payroll Forms

| Form | | Link |
|---|---|---|
| Form SS-4 Application for Employer Identification Number (EIN) | Your business must obtain an EIN if you have employees or will file for other taxes such as excise taxes | www.irs.gov/pub/irs-pdf/fss4.pdf |
| W-2 | Form stating wages and withholdings made for an employee throughout the year. A copy is sent to the employee, the Social Security Administration, the IRS, the Missouri Department of Revenue, and to county/local governments that have an income tax. | https://www.irs.gov/pub/irs-pdf/fw2.pdf |
| W-3 | Similar to the W-2, filed with the Social Security Administration | https://www.irs.gov/pub/irs-pdf/fw3.pdf |
| W-4 | Form filled out when an employee starts so that their employer knows to withhold the correct amount of taxes. | https://www.irs.gov/pub/irs-pdf/fw4.pdf |
| Form 940 Employer's Annual Federal Unemployment (FUTA) Tax Return | Cash wages greater than \$20,000 or employed 10 or more workers throughout the day for 20 or more weeks in the year. | https://www.irs.gov/pub/irs-pdf/f940.pdf |

Payroll Forms

| Form | | Link |
|---|---|---|
| Form 941 Employers Quarterly Federal Tax Return | Required to report wages paid, tips received, federal taxes withheld, Social Security and Medicare withholding, and advance EIC payments for non-farm workers | https://www.irs.gov/pub/irs-pdf/f941.pdf |
| Form 943 Employer's Annual Federal Tax Return for Ag Employees | | https://www.irs.gov/pub/irs-pdf/f943.pdf |
| Form 1099 | Must be furnished to people who received \$600 or more in non-employee compensation throughout year | www.irs.gov/pub/irs-pdf/i1099msc.pdf |
| Form 4029 Application for Exemption From Social Security and Medicare Taxes and Waiver of Benefit | Certain members of religious organizations (generally Amish or Mennonite in agriculture) may file this form to exempt themselves (and their employer) from Social Security and Medicare taxes | www.irs.gov/pub/irs-pdf/f4029.pdf |

Payroll Forms

| Form | | Link |
|---|--|---|
| Missouri Tax Registration Application Form 2643 | Missouri tax registration application (unemployment tax, withholding tax, sales tax, etc.) | https://dor.mo.gov/forms/2643.pdf |
| Mo Quarterly Contribution and Wage Report | Employers required report workers' wages each quarter | https://labor.mo.gov/sites/labor/files/pubs_forms/MO_DES-4-AI.pdf |
| Missouri Unemployment Tax Registration Form 2699 | | https://labor.mo.gov/sites/labor/files/pubs_forms/2699-5-AI.pdf |
| Form MO-941 Employers Return of Income Taxes Held | State form to be filed quarter-monthly, monthly, quarterly or annually, dependent on withholding | https://dor.mo.gov/forms/MO-941.pdf |
| Form MO W-3 | Transmittal of tax statements | https://dor.mo.gov/forms/MO-W-3.pdf |
| Form MO W-4 | Employee's certificate is for income tax withholding and child support enforcement purposes only | https://dor.mo.gov/forms/MO-W-4.pdf |

Ag Employer Unemployment Taxes

FUTA

Tax Entity: IRS

Method to Pay Tax:
Electronic Deposit (EFT)

Due Dates: Depends on quarterly tax liability, when you exceed \$500 in tax due. Otherwise, April 30, July 31, Oct. 31, Jan 31. FUTA tax return (Form 940) due on Jan. 31.

SUTA

Tax Entity: Missouri Division of Employment Security

Method to Report Wages/Pay Tax:
Online, Mail, Magnetic Media

Due Dates: Quarterly by April 30, July 31, Oct. 31, Jan 31