

Top Ten Reasons Your Business Needs a Payroll Expert

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You wouldn't use a hot plate to roast a turkey... why would you use a payroll generalist when you need an expert?

With labor laws, compliance and HR issues, and tax codes... payroll can be both complicated and time-consuming. There are nearly 75,000 pages in the IRS tax code and about 4,000 annual changes to federal, state and local tax codes. The result? Nearly 40 to 45 percent of all small businesses incur tax penalties each year.

Whether it's dealing with minimum wage, shortfalls, direct tips vs. indirect tips, underreporting of tips, or tax and HR compliance, wouldn't it be nice to have an expert take those payroll challenges and issues off your administrative plate? Take your time back.

Following are the top ten reasons for hiring a payroll expert:

#1 Tax Compliance

One out of every three employers pays a payroll-related tax penalty each year. Those companies, on average, had six penalties during the year. Also, companies that process in-house are three times more likely to receive a penalty notice than those that outsource.

#2 Expertise

In-house and general payroll administrators rarely monitor tax code changes, legislative rulings and other impacting items. When it comes to expertise, another thing to consider is what could happen if you've trusted one person to be the keeper of all your payroll knowledge. If that administrator left, you'd be responsible for protection against lawsuits.

#3 Time Constraints

Payroll is a high priority, consuming between 80 to 120 hours each year. And the more employees you have, the more time you'll spend. It has to be done accurately, and it takes your focus away from running your business. Outside of fulfilling payroll, you'll have to devote additional time to understanding tax codes and more.

#4 HR Compliance

Staying on top of labor laws and managing compliance is challenging. The Affordable Care Act, minimum wage, federal forms, required postings, OSHA and other HR regulations are constantly evolving. Filing new hire information and handling garnishments must be routinely administered. In addition, maintenance of job descriptions and company handbooks are vital for protection against lawsuits.

#5 Employee Satisfaction

Handling payroll in-house can take time away from the heart of your business—your employees. Payroll accuracy, availability of direct deposit and/or payroll debit cards, and online access to retrieve pay statements and W-2s will keep your employees happy so they can satisfy your customers.

#6 Tipped Employees

If you are processing payroll in-house, you must maintain a record of tip declarations for all tipped employees. Tip declarations must be collected at least monthly—typically on a per-payroll basis. Paid and unpaid tips should be recorded as separate earning types in the payroll system. Unpaid tips must be paid out as part of the payroll process. Separating cash from credit card tips, and direct from indirect tips, may be important based on policy.

#7 Minimum Wage

Tipped employees may be paid an hourly rate that is below minimum wage. Most states require that a tipped employee's total earnings (hourly rate + tipped income) meet or exceed minimum wage. Minimum wage requirements should be routinely measured each pay period.

#8 Shortfall Management

Tipped employees who receive substantial tips paid out at the end of a shift can often end up with a "net zero" check. This often results in employees not having enough earnings to offset all taxes and/or deductions. These shortfalls must be tracked and managed to avoid issues of noncompliance. Tax shortfalls, particularly with FICA taxes, must be tracked and repaid on a future check, if possible. If not, FICA shortages must be reported on a W-2. Employers must also account for voluntary deductions.

#9 Tip Allocations

The IRS requires most restaurants to report tipped income of at least eight percent of gross receipts. Restaurants must measure this to ensure compliance. If reported tipped income falls below eight percent of gross receipts at the end of the year, tip allocations should be provided to tipped employees. Tip allocation determinations should be completed using accepted accounting standards for hours worked or gross receipts methodology. Allocated tips are simply added for purposes of W-2 reporting.

#10 FICA Tip Credit

The IRS allows businesses to take a tax credit based on the FICA taxes paid on tipped income. Restaurants, in particular, can see hundreds or even thousands of dollars in tax credits per tipped employee per year. It's estimated 70 to 75 percent of restaurants don't take advantage of the FICA Tip Credit program. FICA Tip Credits would far exceed payroll service fees on an annual basis.

Choosing the Right Payroll Provider

Here are some questions to consider before outsourcing your payroll:

- Expertise: Is small business their specialty?
- Service: Does their service model fit your service needs?
- Price: Do they offer value and is there integrity in their pricing model?
- Technology: Can they interface with your POS and accounting software?
- Reputation: Do they deliver in areas of accuracy, timeliness and support?
- Fit: Do they offer everything you need? Are they too big to deliver personal service? Can their service grow with your company?

Heartland Payroll

Heartland's specialty in the **payroll and HR (/payroll)** space is small businesses—offering expertise to entrepreneurs just like you. With reliable solutions and knowledgeable professionals in your corner, you can use the extra time to focus on running your business.

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