

Before You Hire Employees...

1. *Talk to an Accountant*

Running a payroll, paying tax withholding, paying employer taxes... All that stuff is complicated, and it changes over time. Unless you're running an accounting business, it's not what makes you money. You're probably best off hiring an accountant to take care of that stuff for you. Even if you decide to do it yourself, talk to an accountant first. For many businesses, staff is the single, biggest operating expense. Learn the rules of the game. If you do it wrong, it can kill your business.

2. *Get Employer Identification Numbers (EINs)*

- a. You'll need two numbers. One from the Internal Revenue Service. You can apply on-line at www.irs.gov or by phone or by mail. There's no fee for a federal EIN.
- b. The other number is from the Wisconsin Department of Revenue. You can apply on-line at www.dor.state.wi.us/html/business.html or by mail. The state EIN costs \$20. If you'll be selling products, you'll also need a Wisconsin Seller's Permit. You can apply for your Seller's Permit on the same form as your state EIN.

3. *What'll You Owe the Feds? The State?*

- a. You'll owe:
 - i. Federal and state employee income tax withholding.
 - ii. Social Security tax employee withholding.
 - iii. Social Security tax employer match.
 - iv. Medicare tax employee withholding.
 - v. Medicare tax employer match.
 - vi. Federal and state unemployment insurance premiums.
- b. To figure out your federal obligations, read IRS Publication 15: Employer's Tax Guide and IRS Publication 15A: Employer's Supplemental Tax Guide. You can get these publications for free at www.irs.gov. You'll also need to register with the Social Security Administration. You can learn how at www.socialsecurity.gov/employer.
- c. After you apply for your Wisconsin EIN, the Department of Revenue will send you a packet of information that tells you how to do withholding and employer taxes. You'll also need to register with the Wisconsin Department of Workforce Development. The DWD runs Unemployment Insurance in Wisconsin. Every time you hire an employee, you have to tell the DWD. You can find out how at www.dwd.state.wi.us/ui/. Lastly, you'll need to purchase Workers' Compensation Insurance. You can learn what's required at www.dwd.state.wi.us/wc/.

4. Learn How to Verify Employee Eligibility

Believe it or not, who you hire is a matter of national security. Within 3 days of hiring someone, you need to verify their eligibility to work in the United States. The federal Department of Homeland Security governs this. Don't mess with them. You can get Homeland Security's Handbook for Employers at www.uscis.gov/portal/site/uscis. Click the link on the left side of the screen that says "For Employers." Look for the links to "Form I-9."

5. Get Workplace Notices

No matter what type of business you have, you'll probably be required to put up posters that inform your employees of their rights under federal and state labor laws. You can figure out what applies to you by visiting www.business.gov/guides/employment/managing/posters.html.

6. Learn How You'll File Your Taxes

- a. How you'll do this will vary according to several factors:
 - i. How you've organized your business.
 - ii. The size and type of business you're running.
 - iii. How automated you want to be.
- b. The IRS schedules many small businesses to file and pay federal employer taxes every three months. You'll probably use IRS Form 941. You'll also have to file an annual return, probably on IRS Form 944. You can learn how you'll have to do it at www.irs.gov/businesses/index.html. On the left side of the screen, click the link that says "Employment Taxes."
- c. In Wisconsin, you'll probably file and pay state employee income tax withholding with Form WT-6: Wisconsin Withholding Tax Deposit Report. You can do this electronically or on paper. Learn how at www.dor.state.wi.us/html/with.html. You'll also have to file an annual return on Form WT-7. And, every quarter, you'll need to file and pay your Wisconsin Unemployment Insurance premium. You can find out how at www.dwd.wisconsin.gov/ui/.

7. Make a Recordkeeping System

- a. Federal and state law requires you to keep certain records about your employees. Generally, you'll learn about those requirements by visiting the web sites listed in this document.
- b. It's an extremely good idea to have an Employee Handbook before you hire employees – and have a professional help you write it. It's a form of insurance protecting you. It's OK to keep your payroll records in software – such as QuickBooks – but be darn sure to have back-ups. You should also have some type of file for each of your employees for things like:
 - i. Their Employment Application.
 - ii. Their I-9.

- iii. Their attendance records.
- iv. Performance reviews.
- v. Status changes, such as change of address or getting married.

8. A Final Caution

- a. Some new employers try to get around all the federal and state requirements by declaring that their workers are private contractors when, really, they're employees. Don't ever cheat that way. If you get caught, you'll get nailed to the wall. And the nail will be dull and rusty. The IRS has specific tests to tell when workers are employees and when they're private contractors. You can learn about those tests at www.irs.gov.
- b. And don't hesitate to call the IRS or the Wisconsin Department of Revenue or any other government agency when you have a question. Believe it or not, they much prefer to help you set things up right (and they're much nicer, too) instead of catching you doing something wrong.