

Becoming Your Company's Payroll Tax Superhero

Your guide to staying compliant
and reducing risk with in-house
payroll in 2021

Challenges

One of the most critical challenges facing companies today, especially during the COVID-19 pandemic, is maintaining compliance with federal, state, and local requirements for payroll taxes. The pace of change is accelerating, and relief packages such as the CARES Act add to the escalating complexity. However, with a disciplined approach, companies can help improve their compliance, reduce risk and gain new insights to boost business performance.

Here are three common payroll tax compliance challenges companies of all sizes face, with best practices to help mitigate risk and stay ahead of the compliance curve.

Challenge 1

Identify which laws and compliance requirements apply

Companies cannot comply with laws or regulations if they do not recognize and understand their legal obligations. Federal, state, and local laws are constantly changing, making it increasingly difficult for employers to understand their obligations on a weekly, quarterly or annual basis.

Solution: Identify jurisdictions, obligations and potential compliance risk

Create consistent practices to identify jurisdictions and their exposure to your company's compliance risk, including:

1. Create a list of all applicable jurisdictions for your company, including where employees work and live. Start with known requirements when it comes to payroll taxes, and pressure test that against HR records.
2. Utilize the companies you partner with for payroll software and employment-related compliance services to help monitor changes within your employee population and/or work locations. If necessary, you can ask them if they have reports available to monitor such changes.
3. Review changes monthly, and be sure to register immediately with any new jurisdictions in which your company has payroll tax obligations.

Challenge 2

Maintain payroll tax requirements for all applicable jurisdictions

Once you have identified the jurisdictions for your company's payroll tax obligations, you need to ensure that as laws and requirements change, your company is staying compliant and reducing the risk of misreporting, penalties and interest.

Solution: Create a library of critical jurisdiction requirements; review and update them monthly

Critical requirements include, but are not limited to:

- Rates – Federal, state withholding, state unemployment, etc.
- Thresholds
- Due dates for both returns and deposits
- Current forms
- Payment file formats
- Worksite reporting
- New hire reporting
- Wage attachments
- One-off deferrals, i.e.,
- FFCRA CARES Act of 2020

Take advantage of the resources offered by the American Payroll Association, the IRS and other agencies. Here are two examples:

<https://www.americanpayroll.org/news-resources/resource-library?>
<https://www.irs.gov/pub/irs-pdf/p15.pdf>

You can also follow agencies on Twitter and Facebook as they often use these platforms to announce changes.

Challenge 3

File accurate periodic, quarterly and yearly payroll tax returns and deposits

In today's ever-changing environment, companies benefit the most from solid processes and deep expertise when reporting to the appropriate agencies in support of their payroll tax compliance. Conflicting priorities, staffing constraints and turnover can result in companies losing much of that critical knowledge and expertise at a time when they need it most

Solution: Dedicate primary and backup resources to successfully execute on – and document – your company's payroll tax operating plan

At a minimum, your plan should include the following for each jurisdiction:

- Identify and correct errors on periodic and quarterly reports to help ensure accurate filings
- Create quarterly and annual reconciliation statements
- Schedule and send agency payments
- Complete, sign and submit tax returns, including any necessary:
 - Mandatory worksite reporting

- New hire reporting
- Employee wage attachments
- Zero returns
- Respond to any resulting agency notices
- Prepare and submit any necessary amended returns
- Pay penalties and interest resulting from late payments and filings
- Track G/L entries

Since 1997, MasterTax, LLC, has developed payroll tax management software that is designed for employers, third-party providers and PEOs to help them schedule, remit payments, balance, and file multi-jurisdictional payroll taxes. To learn more, please call us at 1.480.667.7876, or send an email to mastertax.sales@adp.com.

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