



6 Tips to Avoid Common Payroll Mistakes

Payroll tasks can be time-consuming and complicated. And mistakes can be costly, especially if they're serious enough to incur regulatory penalties.

1. Carefully set up your payroll system and update it regularly

Take the time to input correct employee information, tax withholding amounts and payment information. By doing this, you'll avoid paying the wrong amount to employees and stay away from errors in the long run.

2. Pay your employees on time

If you want to keep employees motivated and productive, you need to make sure you pay them on time. Plus, if you pay employees late, or miss paying them entirely, you'll have to backtrack—and that will likely lead to payroll errors.

If you find you can't keep up with payroll, it may be time to hire a payroll processing service to help you. They'll take care of as much or as little as you want (for a fee). But it may well be worth it to free up your time and ensure that your employees are paid the right amount on time.

3. Pay employment taxes on time

Once you've collected payroll taxes from your employees, and contributed your share as well, you must report this information to local, state and federal tax authorities. Be sure you pay them on time—if not, you may end up paying a 15% penalty by the IRS (which can be pricey).

4. Keep updated payroll records

Your payroll records should be updated regularly—time sheets, expense accounts, copies of W-2s and other payroll records. These should readily available for IRS review and maintained for at least 4 years.

5. Classify your employees appropriately

If you use independent contractors, you'll pay them differently than regular full-time or part-time employees. So be careful not to "misclassify" employees as independent contractors to avoid paying employee taxes. If you do so, you'll end up paying retroactive payroll taxes.

6. Display the appropriate posters

There are certain workplace posters you're required by law to display. If you're not sure what to post, check out the Department of Labor's FirstStep Poster Advisor for assistance. If you have employees who work from home, you may also need to mail them a physical copy of workplace posters or provide them with a link to that information.

The bottom line

By following these tips, you'll be able to avoid the common payroll mistakes made by most small businesses. If you need more assistance with payroll, it may be a good idea to talk to [payroll specialist](#) or hire a payroll service to help.

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