

6 Quick Tips To Avoid Payroll Hassles

A Report Focusing on Comprehensive Payroll Information



Whether your business is a startup or has been in business for years, there is one task that your company must do - payroll.

For most businesses, payroll is a detailed and complicated process. In fact, it is easy to make mistakes that can cost your company time and money. Many avoid the challenges of payroll by outsourcing. We put together six tips to help you, whether you prepare your own payroll or hire a payroll service provider.

Tip #1. Collect Everything To Calculate Employee's Pay

To do "zero-to-gross" calculations you need to know how much each person earned during the pay period. This includes time worked, hourly rate of pay and legal overtime rate or salary. In addition, you must include recent raises, promotions and other taxable benefits, such as gifts, bonuses and the personal use of a company car. Adding all this up will give you each person's gross pay. This process becomes more complicated as you add more employees.

Tip #2. Gather All The Information For Paycheck Deductions

"Gross-to-net" calculations are needed to figure paycheck deductions. You will need the filing status and number of exemptions from each employee's W-4 Form and the latest tax tables for every applicable taxing authority (federal, state and local). Then calculate the Social Security and Medicare taxes. Note that Social Security taxes have wage-based limits. Add these and any other deductions all together and subtract from the gross to arrive at the net amount.

Tip #3. Add The Total Hours Paid For All Employees

To check for accuracy, add total hours paid for all employees. If your accountant or payroll service offers you a "trial register" before the checks are processed, it should include the total number of hours worked by everyone. If you have previously created your own sum of hours worked (separated into regular hours and overtime hours), this is

your first line of defense against inaccurate checks. The sums should match. If they do not match, dive into the details and verify all the checks and the figures again.

Tip #4. Add The Total Voluntary Deductions For All Employees

A second way to check your payroll's accuracy – without verifying every detail – is to add up all of the voluntary deductions. Add up all the voluntary deductions that are consistent amounts, but not those that vary between pay periods. These might include deductions for Savings Bonds, the Credit Union, employee-paid health insurance or even uniforms. Then check your sum against the payroll register sum after the payroll is processed.

Tip #5. Estimate The Net Pay Amount In Advance

You should know in advance whether your final payroll register is correct. The total net pay from the last pay period is one place to start, as long as you keep any new hires, firings or raises in mind. Using your own total of net pay against the register's amount is better than using gross pay because a difference may flag a mistake in the deductions. Gross pay totals alone will not uncover this mistake.

Tip #6. Create Your Own Running Totals

Even though the check amounts appear accurate, one way to discover a mistake is to total taxes paid year-to-date for federal income tax, state income tax, etc. If you do payroll yourself, have someone else check your work. In fact, have someone else review your register or your paychecks no matter who does the work. Many companies have realized how having multiple people involved in the payroll process has a direct correlation to their payroll accuracy.