TODAY’S PRESENTERS

Ekin Huddleston, FPC
District Manager of Small Business Sales in the Mid-South

Hunter Wade
Sales Executive of Small Business Sales
In the Mid-South, Little Rock, North Mississippi
ADP helps more than 500,000 small businesses do their thing.

- In business since 1949
- Over 1,700 small business clients in the Mid-South
- 1,200 of those clients are less than 5 employee companies.

Ekin Huddleston, FPC
Email: Ekin.Huddleston@adp.com
Cell: 423-747-1217
How does ADP help your business be more successful?

Risk Management
Cash Flow
People Management
Employees

- Payroll is the reason people come to work!
- HR is the reason they stay!
THE PAYROLL PROCESS

The payroll process includes the following:

**Employee**
- New Hire
- Changes
- Time Data
- Form W-4
- Form I-9

**Payroll**
- Inputs
- Verifies
- Processes
- Distributes
- Reports
- Reconciles

**Government**
- Tax Deposits
- Monthly & Quarterly reports
- Reconciles

**Employee**
- Form W-2
- Pay statements
CHALLENGES OF PAYROLL

- Complexity
- Communication
- Technology
- Accuracy

Ekin Huddleston, FPC
Email: Ekin.Huddleston@adp.com
Cell: 423-747-1217
WHAT ARE SOME OF THE CHALLENGES YOU ARE CURRENTLY FACING?

Ekin Huddleston, FPC
Email: Ekin.Huddleston@adp.com
Cell: 423-747-1217
Withholding Taxes

- What taxes are withheld?
  - Federal Income Tax
  - State Income Tax (MS, AR)
  - FICA- Federal Insurance Contributions Act (SS & Medicare)
  - State Unemployment Insurance Tax
**Employee**

- FIT
  - W4
    - Marital Status
    - Allowances
- SIT
  - A1
    - Marital Status
    - Allowances
- FICA
  - SS 6.2% 128,400 Cap
  - Med 1.45% No Cap

**Employer**

- FICA – Match Dollar For Dollar
- FUTA - .6% (6%) – 5.4% Reduction Credit if SUI is paid on time
- SUI Tax – 2.7% New Business Rate
  - 8000 Wage Cap
  - .01%-10.0%
    - Tax Penalty, Claims, Turnover

**Deposits**

- IRS – FIT / FICA
  - Deposited in one payment via EFTPS
    - 24 Hour/Weekly/Bi-Weekly/Monthly/Quarterly/Annually
- IRS – FUTA
  - Deposited Annually
- SUI
  - Deposited Quarterly –
- State Withholding
  - Deposited
    - Weekly/Monthly/Quarterly/Annually

**Filings**

- IRS – FIT/FICA Form 941
  - Quarterly
- IRS – FUTA Form 940
  - Annually
- Department of Labor – SUI Form DOL A1-qrtly wage contribution
  - Quarterly
- Department of Revenue – MS or AR for example
  - Quarterly
- IRS – Form W2/W3
- IRS – Form 1099
CONCEPTS – Classifying Employees

Employees VS Independent Contractors
EMPLOYEE VS INDEPENDENT CONTRACTOR

• What’s the difference between the two?

• Who is responsible to classify the workers correctly?

• Why is proper classification important?

• Form W9 (Request for Taxpayer ID Number)
MISCLASSIFYING WORKERS

☐ Employee
☐ Independent Contractor
FLSA “Conventional Wisdom” Major Problem

- “Everybody I know of pays this way”
- “Salaried people don’t have to be paid overtime”
- “This is what our employees want us to do”
- “This is a family run business”
- “The employee agreed to this” (1099)
- “We’re too small for anyone to sue us”
FLSA Keep Accurate Records

Case: Nitin worked for a small gas station and convenience store on Long Island. After an apparent falling out with the owner, he sued alleging he had been underpaid for at least two years. Nitin claimed he had routinely worked between 80 and 100 hours per week, at least 12 hours per day, and had never been paid overtime. Instead, he claimed to have been paid for just 40 hours per week at minimum wage.

The owner didn’t keep time records. Therefore, the court relied on Nitin’s records.

The court awarded over $39,000 in overtime pay plus attorney’s fees. (Khurana v. JMP, Inc., ED NY, 2017)
How Do We Classify a Worker?

IRS Common Law Test

**Behavioral Control**
- How much instruction is given?
- Whose equipment is used?
- Is performance evaluated?
- Is training provided?

**Financial Control**
- How is the worker paid?
- Does the worker make investments in tools/facilities?
- Does the worker have unreimbursed business expenses?

**Type of Relationship**
- Is there a written contract?
- Are the worker's services available to other businesses?
- Is the worker entitled to employee type benefits?
Reasonable Basis Test

There are exceptions to the Common Law Test

- Have received a specific ruling from the IRS (e.g., a Private Letter Ruling) that the workers are independent contractors.

- Have had a past IRS employment tax audit of the employer that did not disallow the worker’s treatment as an independent contractor.

- Have received guidance from an attorney or CPA that the worker is an independent contractor.
8 RED FLAGS THAT AN EMPLOYEE IS MISCLASSIFIED

- Red flag #1: Employee is paid hourly
- Red flag #2: Employee is paid a salary less than $455 per week because he or she is part-time
- Red flag #3: Duties test was never performed
- Red flag #4: Job title was used to determine exempt status
- Red flag #5: Employee's primary duty is manual labor
- Red flag #6: Employee is automatically classified as exempt because he or she has a college degree
- Red flag #7: State exemption criteria was not considered
- Red flag #8: You make deductions as you would for non-exempt employees
NEW EMPLOYEES

• New Hire Reporting
  – Multi State considerations
  – Time Frames differ by state

• W4 Form & I9 Form
  – Invalid W4s – what are they?
  – When should these forms be filled out?
### Personal Allowances Worksheet (Keep for your records.)

A. Enter “1” for yourself if no one else can claim you as a dependent.
   - You’re single and have only one job; or

B. Enter “1” if:
   - You’re married, have only one job, and your spouse doesn’t work; or
   - Your wages from a second job or your spouse’s wages (or the total of both) are $XXX,XXX or less.

C. Enter “1” for your spouse. But, you may choose to enter “0-” if you are married and have either a working spouse or more than one job. (Entering “0-” may help you avoid having too little tax withheld.)

D. Enter number of dependents (other than your spouse or yourself) you will claim on your tax return.

E. Enter “1” if you will file as head of household on your tax return (see conditions under Head of household above).

F. Enter “1” if you have at least $XXX of child or dependent care expenses for which you plan to claim a credit. (Note: Do not include child support payments. See Pub. 503, Child and Dependent Care Expenses, for details.)

G. Child Tax Credit (including additional child tax credit). See Pub. 972, Child Tax Credit, for more information.
   - If your total income will be less than $XXX,XXX ($XXX,XXX if married), enter “2” for each eligible child; then less “1” if you have two to four eligible children or less “2” if you have five or more eligible children.
   - If your total income will be between $XXX,XXX and $XXX,XXX ($XXX,XXX and $XXX,XXX if married), enter “1” for each eligible child.

H. Add lines A through G and enter total here. (Note: This may be different from the number of exemptions you claim on your tax return.)

For accuracy, complete all worksheets that apply.

### Employee’s Withholding Allowance Certificate

- Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.

1. Your first name and middle initial
2. Last name
3. Your social security number

- Home address (number and street or rural route)
- City or town, state, and zip code

4. If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card.

5. Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2)
6. Additional amount, if any, you want withheld from each paycheck

For Privacy Act and Paperwork Reduction Act Notice, see page 2.

Employee’s signature

Date

Employer’s name and address (Employer: Complete boxes 9 and 10 only if sending to the IRS)

Office code (optional)

Employer identification number (EIN)
Withholding Allowances (Form W-4)

- Forms W-4 and W-4P (retirees) tell employers four things:
  - Single/married
  - Number of allowances
  - Additional amount withheld
  - If employee is claiming to be exempt
- Employees must complete W-4 when hired
- Employees are not required to fill out new W-4 annually, BUT should do so if allowances will decrease/increase
- If W-4 is not completed, they file as Single-0
- Employer must make change within 30 days of receiving a revised W-4 form!

Ekin Huddleston, FPC
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Cell: 423-747-1217
Why have a handbook?

• Compilation of policies, rules, expectations
• Provides basic information about the company
• Helps demonstrate fairness and compliance with employment laws
• Meets requirements to provide certain information in writing
• Helps managers navigate employee relations issues
Why use job descriptions?

**Hiring:** Identify the essential functions of the job and the qualifications needed for the role

**Pay & Performance:** Help set clear expectations for employees, and can help the company evaluate performance, make compensation decisions, and identify training needs
HR HelpDesk provides best-practice around the following HR topics:

- Benefits
- Compensation
- Immigration & I-9
- Performance management
- State labor laws
- California labor laws
- Military leave laws
- Unemployment
- Workers’ compensation
- Discipline
- Fair Credit Reporting Act
- State pre-employment screening requirements
- Federal and state wage & hour
- Family and Medical Leave Act
- COBRA
- EEOC
- Sexual harassment & Discrimination
- OSHA
- Workplace investigations
- Hiring
- Terminations
The HR HelpDesk **DOES NOT**

- Provide legal advice
- Review client handbooks
- Fulfill labor poster requirements
- Contact a client’s employees’
• ADP RUN DEMO
F.A.Q’S

• Why would I want ADP to process payroll for me?
• What are payroll services from ADP?
• Will ADP pay my payroll taxes for me?
• Does ADP integrate time and attendance with payroll?
• Does ADP have tools for employees to see their payroll online or with a mobile app?
Contact Information

Ekin Huddleston, FPC
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