

Payroll Deposits

By Jenna Welborn

Navigating all the moving parts involved in correctly filing your payroll taxes is a challenge many of our clients face. One of the most important parts of doing payroll is to make sure federal payroll taxes are deposited timely according to the IRS requirements.

The payroll process includes (a) calculating and preparing paychecks, (b) accounting for amounts withheld from these paychecks, (c) making deposits of taxes withheld from paychecks, and (d) reporting on taxes withheld and deposits made.

First, let's define what is meant by "payroll taxes." They are the taxes you must pay on your payroll

1. Those federal and state income taxes you withheld from your employees' paychecks,
2. The FICA taxes (Social Security/Medicare taxes) you withheld from employees and the matching amount you set aside from that payroll to be paid by your company.

Payroll Deposits

The IRS determines the payroll taxes deposit schedule for employers based on their total gross Social Security/Medicare liability for the twelve-month period ending on the most recent June 30. This time period is called a look-back period.

The best way to find the amounts for your payroll taxes paid during the look-back period is to look at the 941 Forms (the Quarterly Wage and Tax Return) for each quarter and add them together.

If your total payroll taxes for the "look back period" were *\$50,000 or less*, you are a

monthly depositor.

If your total payroll taxes for the "look back period" were *more than \$50,000*, you should make deposits on the semi-weekly schedule.

If your payroll tax obligation is less than \$2,500 in a quarter for a business, you can deposit these taxes with the quarterly filed 941.

If your payroll tax obligation is less than \$2,500 annually for a farmer these taxes can be paid when the annual 943 form is filed, which is due January 31, 2017.

The IRS requires that all payroll tax deposits be made electronically, using the EFTPS Online System.

To use the EFTPS Online System you must first register before you can use the website to pay your taxes. The EFTPS system directly links to your bank account and payments are directly deducted from your account.

Filing your payroll taxes correctly can be a daunting task with the many different regulations and deadlines to be met. At Kaup's Financial Advisors it is our job to ease this burden on our payroll clients by handling all their various payroll tasks. If you have payroll questions or are looking to set up payroll on a new or existing business or farm, let us know and we would be happy to assist you.

Thanks,

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