

## Before You Outsource Payroll...

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Choosing to outsource your payroll can be one of the smartest decisions you make for your business. Payroll can be very complicated and penalties are very costly – and smart business owners know that it's always best to find an expert and delegate! However, before you make the decision to outsource your payroll, there are critical things you need to know about your employees, your payroll, your tax liabilities, and your business. As a payroll service provider, I see many companies who come to me without the answers to these questions below. Having these answers will help the payroll service you are talking with provide you with a better proposal and better long term service – saving you both time and money.

Here are the **12 things you must know** about your payroll needs – and need to communicate to any service that you interview. If you do not, there could be serious tax issues, incorrect payrolls checks for employees, and additional processing fees - not to mention aggravation, headaches and time wasted on correcting errors – all taking time away from your business!

1. **How many employees do you have currently and how many do you plan to have?** Some smaller payroll companies may be a better fit for less than 50 employees, and others may excel at serving businesses with 100+ employees.
2. **Do you pay any contract employees?** Vendors paid as 1099s can sometimes be included in your payroll – paying them via direct deposit can reduce your check writing time (and maybe the vendor will offer you a discount in exchange for being paid via direct deposit!)
3. **What is your budget for payroll processing fees?** If you know how much you can afford to pay going in, you will be able to find a solution that fits your business' needs and your budget – it just may come with reduced services. Be sure to think about your budget on a total annual fee basis, since many companies have start up fees, set up charges, processing fees, quarterly fees and annual fees.
4. **How frequently do you pay your employees?** Typical payroll would be every other Friday, but you can set any schedule that works for your business. You will likely pay a fee each time you process a payroll so a weekly payroll may be more costly than a monthly payroll. Weigh the costs with how frequently your employees would need to be paid.
5. **How will you report the hours for your hourly employees?** Do your employees need to fill out a timesheet online? Fax in a timesheet each week? Compile a report in house? There may be different additional fees for these different methods.
6. **Will your employees receive direct deposit or will live checks be issued?** Will the payroll company send the information to you to print the checks or print and deliver them? There may be additional fees for them to print & deliver the checks, so be sure to ask if there's a way to save money on fees by printing them yourself.

7. **Are there any special wage situations?** Do your employees receive tips, bonuses or compensation other than regular hourly or salary wages? Are you employing union members?
8. **Do your employees have any deductions?** Will you be withholding health insurance or retirement money from your employees? Do any of your employees have garnishments for judgments or child support? These situations may require some advanced services to handle.
9. **Do you reimburse your employees for any business related expenses?** Many companies like to have their employee's expenses included with their payroll deposits to simplify their check writing.
10. **What are your sick and vacation time policies?** Will your payroll company track the accrual and use of those hours for you?
11. **What state(s) are your employees located?** Be sure that if you have employees living in multiple states that the payroll company is familiar with the withholding and taxes in each state.
12. **What are your company's deposit requirements?** How often are you required to deposit your federal and state payroll taxes? Be sure to talk with your potential payroll companies to find out when they withdraw the tax money from your account and when they taxes are paid. Paying your taxes early could cause you some cash flow issues you aren't anticipating.

Once you have these answers, you can confidently interview and hire the best payroll company for your business. Getting it right the first time will save you time, money, and many headaches down the road.

Remember that ***outsourcing your payroll does not outsource the responsibility!*** As the business owner, you are still ultimately responsible for your payroll and payroll taxes. Penalties on late or unpaid taxes can be very costly. If you don't know what your filing requirements are; find out. Ask your CPA or bookkeeper to provide you will a schedule of what is due when so you can check on the payroll company to be sure that all of the deadlines are met.

Outsourcing your payroll will give you more time to focus on generating more revenue for your business, servicing your clients, interacting with your vendors, or time to play an extra round of golf. It can provide your employees with additional perks like direct deposit and online pay stubs. Outsourcing your payroll to the experts can be a weight off of your shoulders and when you find a company who is a good fit with your organization, it will feel like one of the best business decisions you have ever made.

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