

SMALL BUSINESS PAYROLL SETUP CHECKLIST

Step-by-Step Implementation Guide

Company Name:

Federal EIN:

Target Go-Live Date:

Payroll Administrator:

1. Company Registration & Tax Setup

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Apply for Federal Employer Identification Number (EIN)

Obtain EIN from the IRS for tax filing purposes.

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Register for State Income Tax (SIT) withholding

Register with the state department of revenue where employees work.

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Register for State Unemployment Insurance (SUI)

Obtain the state unemployment tax account number and current tax rate.

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Register for Local Taxes (if applicable)

Check county, city, or school district level payroll tax requirements.

2. Policies & Schedule Definition

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Determine pay frequency

Establish pay periods (weekly, bi-weekly, semi-monthly, or monthly).

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Define employee classifications

Classify workers correctly (exempt vs. non-exempt, employee vs. independent contractor).

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Establish tracking policies for hours worked

Implement a method for time-tracking, overtime calculations, and PTO/leave requests.

3. Employee Onboarding & Documentation

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Collect Federal Form W-4

Ensure every employee completes an up-to-date withholding certificate.

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Collect State W-4 Equivalents

If applicable, obtain the state-specific withholding allowance certificates.

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**Complete Form I-9**

Verify employment eligibility and keep documentation on file.

**Gather Direct Deposit authorizations**

Collect bank routing and account numbers along with signed consent forms.

**Report New Hires**

Submit required employee information to the State New Hire Registry.

4. Payroll System Setup

**Connect business bank account**

Link the funding bank account for payroll taxes, direct deposits, and processing fees.

**Configure pay items and deductions**

Input wage rates, pre-tax deductions (health insurance, 401k), and post-tax deductions.

**Input historical payroll data (if mid-year setup)**

Enter year-to-date earnings and tax withholdings for accurate W-2 reporting.

**Run a test payroll cycle**

Validate system calculations, direct deposit file formats, and general ledger routing.

Notes / Action Items: