

14. An Introduction to Farm Payroll

Mark Dikeman

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Abstract/Summary

Rare is the farming operation that does not require some sort of hired labor. For those who are planning to hire an employee, are new to payroll, or would just like a refresher this session will provide an overview of the process. We will cover critical steps to complete before hiring an employee, employment law, and what to do after an employee is hired with a focus on calculating paychecks and paying tax liabilities. We will also discuss year end wage reporting and the impact of benefits on both the employee and employer.

An Introduction to Farm Payroll

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An Introduction to Farm Payroll

- Employees vs. Independent contractors
- Initial set up
- Miscellaneous Labor Laws
- Paying Employees
- Calculating payroll
- Tracking payroll liability
- Paying payroll liability
- Reporting
- Benefits



Employees vs. Independent Contractors



Employee vs. Independent Contractor

- When determining if a worker is an employee or contractor, IRS looks at three areas
 - Behavioral Control
 - Financial Control
 - Type of relationship



Employee vs. Independent Contractor

- Behavioral control
 - Who decides:
 - When & where to work?
 - What tools to use?
 - When to hire assistance?
 - Where to purchase supplies?
 - What sequence of work?
 - Degree of instruction



Employee vs. Independent Contractor

- Financial Control
 - Does the worker:
 - Have an investment in tools and equipment?
 - Pay unreimbursed expenses?
 - Have an opportunity for profit or loss?
 - Provide services to the market?
 - Is payment made piece work or at an hourly rate?



Employee vs. Independent Contractor

- Type of relationship
 - Is there a written contract?
 - Are benefits provided?
 - Insurance, Vacation, Sick days, Retirement
 - How long has the relationship existed?
 - Are the services provided a key activity in the business?



Employee vs. Independent Contractor

- If no written contract, at least discuss the arrangement!
- For more information:
www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Independent-Contractor-Self-Employed-or-Employee
- Submit Form SS-8 to allow IRS to determine
 - Response in approximately 6 months



Initial Set Up

1. Apply for federal Employer Identification Number (EIN)
2. Set up Electronic Federal Tax Payment System (EFTPS) account
3. Set up Kansas withholding account
4. Set up Kansas unemployment account (if applicable)



Federal Employer ID Number (EIN)

- Business may already have an EIN
 - Partnership, LLC, Corporation
 - Previously hired employees
 - File Form 2290 (Heavy Highway Tax)
 - Separate sole-proprietor business
 - Only one EIN!
- Social Security Numbers cannot be used



Federal Employer ID Number (EIN)

- Apply for EIN online or by phone
 - [http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Apply-for-an-Employer-Identification-Number-\(EIN\)-Online](http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Apply-for-an-Employer-Identification-Number-(EIN)-Online)
 - (800) 829-4933
 - Will provide an EIN immediately
- Apply by Fax
 - Form SS-4
 - EIN Faxed back in 1-2 weeks
- Apply by Mail
 - Form SS-4
 - EIN mailed in 4-5 weeks



Electronic Federal Tax Payment System

- Most employers must make liability payments electronically thru EFTPS
 - Exception: **TOTAL** annual payroll tax liability less than \$2,500
- Automatically enrolled when requesting an EIN
- Apply online or by phone
 - www.eftps.gov
 - 800.555.3453
 - PIN required



Kansas Department of Revenue

- Separate Kansas EIN
- Employers must make liability payments electronically
- Apply online
 - <https://www.kdor.org/TaxCenter/login.aspx>
- Apply via mail, fax or in person
 - CR-16 Kansas Business Tax Application
 - EF-101 Authorization Form for Electronic Funds Transfer
 - Allow 5 weeks for processing



Kansas Unemployment

- Agricultural employers are liable for unemployment tax if:
 - They employ 10 or more workers in any portion of 20 different weeks in a calendar year
 - Payroll is \$20,000 or more in any calendar quarter
- Separate Kansas Unemployment ID
- Apply online at
 - www.kansasemployer.gov
- Apply via mail or fax
 - Complete Form K-CNS 010



Federal Unemployment

- If applicable, no separate registration is required.



Miscellaneous Labor Law Topics

Minimum Wage, Overtime, Child Labor

- KS law applies if not covered by federal Fair Labor Standards Act (FLSA)
- FLSA applies if:
 - >\$500,000 gross revenue OR
 - Products are interstate commerce products
 - Includes most farm products
- www.dol.gov/whd/regs/compliance/whdfs12.pdf
- Wage and Hour Division, Federal DOL
 - KC office 913-551-5721
 - National office 866-487-9243



Minimum Wage

- Kansas \$7.25/hr
- FLSA \$7.25/hr
 - <20 years old \$4.25/hr first 90 calendar days
- FLSA exempts farm employers if:
 - Employ workers less than 500 man-days in all quarters of prior year
 - 1 man-day for every employee who worked at least 1 hour in a day
 - 5 days per week X 13 weeks per quarter equals 65 man-days per quarter for each full time worker



Overtime

- Kansas
 - Overtime after 46 hours per week
 - Maximum of 24 hours per day
 - Not less than 1.5 time regular pay rate
- Fair Labor Standards Act
 - Overtime after 40 hours per week
 - Maximum of 24 hours per day
 - Not less than 1.5 times regular pay rate
 - Not required for Sundays, holidays, etc.



Overtime

- FLSA exempts farm employers if:
 - Employ workers less than 500 man-days in all quarters of prior year
 - Only on wages paid for labor incidental to the farm



Child Labor

- Employee of parents, any age
 - Work at any time
 - Any farm job
- Unrelated employees, 16 & up
 - Work at any time
 - Any farm job
- Unrelated employees, 14 – 15
 - Work outside school hours
 - Non-hazardous farm jobs



Child Labor

- Unrelated employees, 12 – 13
 - Work outside school hours
 - Non-hazardous jobs
 - With written parental consent
- Unrelated employees, 11 & under
 - Work outside school hours
 - Non-hazardous jobs
 - With written parental consent
 - Work on farms not subject to minimum wage



Child Labor

- Hazardous Farm Jobs
 - Operating a tractor over 20 HP
 - Connecting anything to or disconnecting anything from a tractor over 20 HP
 - Operating essentially all machinery & equipment
 - Working in a pen with a bull, cow with calf, or sow with suckling pigs
 - Handling or applying Category 1 chemicals
 - Handling dynamite
 - Etc...



Miscellaneous

- KS agricultural employers are exempt from Workers' Compensation Insurance
- Employers must display required posters and information
 - Available for free at www.dol.ks.gov/Laws/Posters.aspx



Miscellaneous

- Breaks, paid vacation, paid sick time are not required
- Kansas is an employment at will state
 - Employees may be terminated for any non-discriminatory or non-retaliatory reason
 - Employees are not required to give 2 weeks notice before quitting
- Employers can require drug testing as a condition of employment
- Employers can require overtime



Before Work Begins



Before Work Begins

- Verify employment eligibility
 - Have employee fill out Form I9
- Determine Federal withholding exemptions
 - Have employee fill out Form W4
- Optional: verify name matches SSN at www.socialsecurity.gov/employer/ssnv.htm or by calling 1-800-772-1213 (registration required)



Before Work Begins

- Determine Kansas withholding exemptions
 - Have employee fill out Form K-4
- Kansas new hire report within 20 days of hiring to Kansas Department of Labor
 - Online at www.kansasemployer.gov
 - Mail or fax
- I9, W4, K4 **must** be stored permanently



Paying Employees



Paying Employees

- Social Security and Medicare taxes
 - All cash wages are subject to Social Security and Medicare withholding if:
 - You pay cash wages to an employee of \$150 or more in a year
 - OR you pay all employees \$2,500 or more during the year
- Employers can elect to pay the employees share of Social Security and Medicare tax (no FICA withheld from paycheck)



Paying Employees

- Wages paid to children age 17 & under who are employed by their parent are not subject to Social Security and Medicare withholding
 - Employer must be a sole proprietor or a partnership owned wholly by the parents



Paying Employees

- Social Security 2014
 - *Employee* tax rate 6.2%
 - *Employer* tax rate 6.2%
 - SS paid on all wages up to \$117,000
- Medicare
 - *Employee* tax rate 1.45%
 - *Employer* tax rate 1.45%
 - Paid on all wages



Paying Employees

- Additional Medicare tax
 - *Employee* tax rate 0.9%
 - No employer share
 - Paid only on wages above \$200,000



Paying Employees

- Commodity Wages
 - Payment made with grain, livestock, etc
 - Ideal for bonus payments
 - Not considered cash wages therefore not subject to withholding, SS, Medicare, or unemployment
 - MUST be handled correctly!!!
 - Employee must have full control
 - DO NOT sell grain/livestock in the employee's name!!!!
 - Taxable amount is the value at the time of transfer
 - Recordkeeping is important
 - Date of transfer, quantity, \$/unit, etc.
 - Reported on W2, Box 1



Calculating Paychecks



Calculating Paychecks

1. Calculate Gross Wages
2. Calculate Social Security & Medicare wages
 - Exclude Health Insurance contributions from gross wages
3. Calculate Social Security & Medicare W/H
4. Calculate wages subject to income tax
 - Exclude Health Insurance contributions from gross wages
 - Exclude Retirement contributions from gross wages
5. Look up federal income tax W/H
6. Look up state income tax W/H



Calculating Paychecks

7. Subtract withholding
8. Subtract after tax deductions
9. Add non-taxable additions
10. Calculate withholding liability



Calculating Paychecks - Example

- Emerald (Em) Ployee
- Hourly rate of \$15.00
- Worked 48 hours
- Paid weekly
- Pays \$25.00 per paycheck for health insurance
- Contributes \$20.00 per paycheck to SIMPLE
- Pays \$15.00 per paycheck to reimburse employer for advance



Calculating Paychecks - Example

1. Gross Wages	48 x \$15.00	\$ 720.00
3. Employee Share Social Security	6.20%	
3. Employee Share Medicare	1.45%	
5. Federal Income Tax	Table	
6. State Income Tax	Table	
7. Paycheck After Withholding		



Calculating Paychecks - Example

1. Gross Wages	48 x \$15.00	\$ 720.00
2. Calculate Social Security & Medicare wages		
Gross Wages	48 x \$15.00	\$ 720.00
Less Health Insurance		
Social Security & Medicare Wages		
3. Calculate Social Security & Medicare		
Employee Social Security		
Employee Medicare		
Employer Social Security		
Employer Medicare		



Calculating Paychecks - Example

1. Gross Wages	48 x \$15.00	\$ 720.00
2. Calculate Social Security & Medicare wages		
Gross Wages	48 x \$15.00	\$ 720.00
Less Health Insurance		(\$ 25.00)
Social Security & Medicare Wages		
3. Calculate Social Security & Medicare		
Employee Social Security		
Employee Medicare		
Employer Social Security		
Employer Medicare		



Calculating Paychecks - Example

1. **Gross Wages** 48 x \$15.00 **\$ 720.00**

2. Calculate Social Security & Medicare wages

Gross Wages	48 x \$15.00	\$ 720.00
Less Health Insurance		(\$ 25.00)
Social Security & Medicare Wages		\$ 695.00

3. Calculate Social Security & Medicare

Employee Social Security		
Employee Medicare		
Employer Social Security		
Employer Medicare		



Calculating Paychecks - Example

1. **Gross Wages** 48 x \$15.00 **\$ 720.00**

2. Calculate Social Security & Medicare wages

Gross Wages	48 x \$15.00	\$ 720.00
Less Health Insurance		(\$ 25.00)
Social Security & Medicare Wages		\$ 695.00

3. Calculate Social Security & Medicare

Employee Social Security	\$ 695.00 x	6.20%
Employee Medicare	\$ 695.00 x	1.45%
Employer Social Security		\$ 695.00 x 6.20%
Employer Medicare		\$ 695.00 x 1.45%



Calculating Paychecks - Example

1. **Gross Wages** 48 x \$15.00 **\$ 720.00**

2. Calculate Social Security & Medicare wages

Gross Wages	48 x \$15.00	\$ 720.00
Less Health Insurance		(\$ 25.00)
Social Security & Medicare Wages		\$ 695.00

3. Calculate Social Security & Medicare

Employee Social Security	\$ 695.00 x	6.20%
Employee Medicare	\$ 695.00 x	1.45%
Employer Social Security		\$ 695.00 x 6.20%
Employer Medicare		\$ 695.00 x 1.45%



Calculating Paychecks - Example

1. **Gross Wages** 48 x \$15.00 **\$ 720.00**

3. Employee Share Social Security	6.20%	\$ 43.09
3. Employee Share Medicare	1.45%	\$ 10.08
5. Federal Income Tax	Table	
6. State Income Tax	Table	
7. Paycheck After Withholding		



Calculating Paychecks - Example

1. **Gross Wages** 48 x \$15.00 **\$ 720.00**

4. Calculate Taxable Wages

Gross Wages	48 x \$15.00	\$ 720.00
Less Health Insurance		
Less SIMPLE Contribution		
Taxable Wages		



Calculating Paychecks - Example

1. **Gross Wages** 48 x \$15.00 **\$ 720.00**

4. Calculate Taxable Wages

Gross Wages	48 x \$15.00	\$ 720.00
Less Health Insurance		(\$ 25.00)
Less SIMPLE Contribution		
Taxable Wages		



Calculating Paychecks - Example

1. Gross Wages	48 x \$15.00	\$ 720.00
4. Calculate Taxable Wages		
Gross Wages	48 x \$15.00	\$ 720.00
Less Health Insurance		(\$ 25.00)
Less SIMPLE Contribution		(\$ 20.00)
Taxable Wages		\$ 675.00



Calculating Paychecks - Example

1. Gross Wages	48 x \$15.00	\$ 720.00
4. Calculate Taxable Wages		
Gross Wages	48 x \$15.00	\$ 720.00
Less Health Insurance		(\$ 25.00)
Less SIMPLE Contribution		(\$ 20.00)
Taxable Wages		\$ 675.00



5. Lookup federal income tax withholding

Form W-4 Employee's Withholding Allowance Certificate OMB No. 1545-0074
Department of the Treasury Internal Revenue Service **2013**

1 Your first name and middle initial: **Emerald** Last name: **Ployee** 2 Your social security number: **000-00-0000**

3 Single Married Married, but withhold at higher Single rate.
Note. If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.

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): **5** **3**

6 Additional amount, if any, you want withheld from each paycheck: **\$ 15.00**

7 I claim exemption from withholding for 2013, and I certify that I meet both of the following conditions for exemption:
 • Last year I had a right to a refund of all federal income tax withheld because I had no tax liability, and
 • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability.
 If you meet both conditions, write "Exempt" here.

Employee's signature: _____ Date: _____
 8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.) 9 Office code (optional) 10 Employer identification number (EIN)
S. Mall Farm 48-1234567

For Privacy Act and Paperwork Reduction Act Notice, see page 2. Cat. No. 10220Q Form **W-4** (2013)



5.

MARRIED Persons WEEKLY Payroll Period
(For Wages Paid through December 2013)

And the wages are— At least But less	0	1	2	3	4	5	6	7	8	9	10
\$ 0	\$160	80	80	80	80	80	80	80	80	80	80
160	185	1	1	1	1	1	1	1	1	1	1
185	210	1	1	1	1	1	1	1	1	1	1
210	235	1	1	1	1	1	1	1	1	1	1
235	260	1	1	1	1	1	1	1	1	1	1
260	285	1	1	1	1	1	1	1	1	1	1
285	310	1	1	1	1	1	1	1	1	1	1
310	335	1	1	1	1	1	1	1	1	1	1
335	360	1	1	1	1	1	1	1	1	1	1
360	385	1	1	1	1	1	1	1	1	1	1
385	410	1	1	1	1	1	1	1	1	1	1
410	435	1	1	1	1	1	1	1	1	1	1
435	460	1	1	1	1	1	1	1	1	1	1
460	485	1	1	1	1	1	1	1	1	1	1
485	510	1	1	1	1	1	1	1	1	1	1
510	535	1	1	1	1	1	1	1	1	1	1
535	560	1	1	1	1	1	1	1	1	1	1
560	585	1	1	1	1	1	1	1	1	1	1
585	610	1	1	1	1	1	1	1	1	1	1
610	635	1	1	1	1	1	1	1	1	1	1
635	660	1	1	1	1	1	1	1	1	1	1
660	685	1	1	1	1	1	1	1	1	1	1
685	710	1	1	1	1	1	1	1	1	1	1
710	735	1	1	1	1	1	1	1	1	1	1
735	760	1	1	1	1	1	1	1	1	1	1



Calculating Paychecks - Example

1. Gross Wages	48 x \$15.00	\$ 720.00
3. Employee Share Social Security	6.20%	\$ 43.09
3. Employee Share Medicare	1.45%	\$ 10.08
5. Federal Income Tax	Table	\$ 29.00
6. State Income Tax		
7. Paycheck After Withholding		



5. Lookup federal income tax withholding

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6 Additional amount, if any, you want withheld from each paycheck: **\$ 15.00**

7 I claim exemption from withholding for 2013, and I certify that I meet both of the following conditions for exemption:
 • Last year I had a right to a refund of all federal income tax withheld because I had no tax liability, and
 • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability.
 If you meet both conditions, write "Exempt" here.

Employee's signature: _____ Date: _____
 8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.) 9 Office code (optional) 10 Employer identification number (EIN)
S. Mall Farm 48-1234567

For Privacy Act and Paperwork Reduction Act Notice, see page 2. Cat. No. 10220Q Form **W-4** (2013)



Calculating Paychecks - Example

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5. Federal Income Tax	Table	\$ 29.00
5. Federal Income Tax	Additional	\$ 15.00
6. State Income Tax	Table	
7. Paycheck After Withholding		



6. Lookup state income tax withholding

K-4 Kansas Employee's Withholding Allowance Certificate
(Rev. 9/12)

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

1 Print your first name and middle initial Emerald	Last Name Ployee	2 Social Security Number 000-00-0000
Mailing Address 1234 Fake Street		3 Allowance Rate Mark the allowance rate selected in line A above.
City or Town, State, and ZIP Code Manhattan, KS 66502		<input checked="" type="checkbox"/> Single <input type="checkbox"/> Joint
4 Total number of allowances you are claiming (from line F above)		4 2
5 Enter any additional amount you want withheld from each paycheck (this is optional)		5 \$ 10.00
6 I claim exemption from withholding. You must meet the conditions explained in the "Exemption from withholding" instructions above. If you meet those conditions, write "Exempt" on this line. Note: KDOR will receive your federal W-2 forms for all years claimed Exempt.		6

Under penalties of perjury, I declare that I have examined this certificate and to the best of my knowledge and belief it is true, correct, and complete.

SIGN HERE: _____ DATE _____

7 Employer's name and address
S. Mall Farm

8 EIN (Employer Identification Number)
48-1234567



6. Lookup state income tax withholding

SINGLE Persons - **WEEKLY** Payroll Period

And the wages are --		And the number of withholding allowances claimed is --										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
615	625	22	20	18	16	14	11	9	8	6	5	4
625	635	23	20	18	16	14	12	10	8	7	5	4
635	645	23	21	19	17	15	12	10	8	7	6	4
645	655	24	21	19	17	15	13	11	9	7	6	5
655	665	24	22	20	18	16	13	11	9	8	6	5
665	675	25	22	20	18	16	14	12	10	8	7	5
675	685	25	23	21	19	17	14	12	10	8	7	6
685	695	26	23	21	19	17	15	13	11	9	7	6
695	705	26	24	22	20	18	15	13	11	9	8	6
705	715	26	24	22	20	18	16	14	12	10	8	7
715	725	27	25	23	21	18	16	14	12	10	8	7



Calculating Paychecks - Example

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5. Federal Income Tax	Table	\$ 29.00
5. Federal Income Tax	Additional	\$ 15.00
6. State Income Tax	Table	\$ 21.00
7. Paycheck After Withholding		



Calculating Paychecks - Example

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Mailing Address 1234 Fake Street		3 Allowance Rate Mark the allowance rate selected in line A above.
City or Town, State, and ZIP Code Manhattan, KS 66502		<input checked="" type="checkbox"/> Single <input type="checkbox"/> Joint
4 Total number of allowances you are claiming (from line F above)		4 2
5 Enter any additional amount you want withheld from each paycheck (this is optional)		5 \$ 10.00
6 I claim exemption from withholding. You must meet the conditions explained in the "Exemption from withholding" instructions above. If you meet those conditions, write "Exempt" on this line. Note: KDOR will receive your federal W-2 forms for all years claimed Exempt.		6

Under penalties of perjury, I declare that I have examined this certificate and to the best of my knowledge and belief it is true, correct, and complete.

SIGN HERE: _____ DATE _____

7 Employer's name and address
S. Mall Farm

8 EIN (Employer Identification Number)
48-1234567



1. Gross Wages	48 x \$15.00	\$ 720.00
3. Employee Share Social Security	6.20%	\$ 43.09
3. Employee Share Medicare	1.45%	\$ 10.08
5. Federal Income Tax	Table	\$ 29.00
5. Federal Income Tax	Additional	\$ 15.00
6. State Income Tax	Table	\$ 21.00
6. State Income Tax	Additional	\$ 10.00
7. Paycheck After Withholding		
8. After-Tax Deductions		
9. Non-Taxable Additions		
Net Paycheck		



Calculating Paychecks - Example

1. Gross Wages	48 x \$15.00	\$ 720.00
3. Employee Share Social Security	6.20%	\$ 43.09
3. Employee Share Medicare	1.45%	\$ 10.08
5. Federal Income Tax	Table	\$ 29.00
5. Federal Income Tax	Additional	\$ 15.00
6. State Income Tax	Table	\$ 21.00
6. State Income Tax	Additional	\$ 10.00
7. Paycheck After Withholding		\$ 591.83
8. After-Tax Deductions		\$ 15.00
9. Non-Taxable Additions		\$ 0.00
Net Paycheck		



Calculating Paychecks - Example

1. Gross Wages	48 x \$15.00	\$ 720.00
3. Employee Share Social Security	6.20%	\$ 43.09
3. Employee Share Medicare	1.45%	\$ 10.08
5. Federal Income Tax	Table	\$ 29.00
5. Federal Income Tax	Additional	\$ 15.00
6. State Income Tax	Table	\$ 21.00
6. State Income Tax	Additional	\$ 10.00
7. Paycheck After Withholding		\$ 591.83
8. After-Tax Deductions		\$ 15.00
9. Non-Taxable Additions		\$ 0.00
Net Paycheck		



Calculating Paychecks - Example

1. Gross Wages	48 x \$15.00	\$ 720.00
3. Employee Share Social Security	6.20%	\$ 43.09
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5. Federal Income Tax	Table	\$ 29.00
5. Federal Income Tax	Additional	\$ 15.00
6. State Income Tax	Table	\$ 21.00
6. State Income Tax	Additional	\$ 10.00
7. Paycheck After Withholding		\$ 591.83
8. After-Tax Deductions		\$ 15.00
9. Non-Taxable Additions		\$ 0.00
Net Paycheck		\$ 576.83



Calculating Paychecks - Example

10. Federal Withholding Liability		
3. Employee Share Social Security		
3. Employee Share Medicare		
3. Employer Share Social Security		
3. Employer Share Medicare		
5. Federal Income Tax		
Total Federal Liability		



Calculating Paychecks - Example

10. Federal Withholding Liability		
3. Employee Share Social Security		\$ 43.09
3. Employee Share Medicare		\$ 10.08
3. Employer Share Social Security		\$ 43.09
3. Employer Share Medicare		\$ 10.08
5. Federal Income Tax		\$ 44.00
Total Federal Liability		



Calculating Paychecks - Example

10. Federal Withholding Liability		
3. Employee Share Social Security		\$ 43.09
3. Employee Share Medicare		\$ 10.08
3. Employer Share Social Security		\$ 43.09
3. Employer Share Medicare		\$ 10.08
5. Federal Income Tax		\$ 44.00
Total Federal Liability		\$ 150.34



Calculating Paychecks - Example

10. Federal Withholding Liability	
3. Employee Share Social Security	\$ 43.09
3. Employee Share Medicare	\$ 10.08
3. Employer Share Social Security	\$ 43.09
3. Employer Share Medicare	\$ 10.08
5. Federal Income Tax	\$ 44.00
Total Federal Liability	\$ 150.34

Shortcut method = $(6.2\%+6.2\%+1.45\%+1.45\%) \times \text{SS wages} + \text{WH}$



Calculating Paychecks - Example

10. Federal Withholding Liability	
3. Employee Share Social Security	\$ 43.09
3. Employee Share Medicare	\$ 10.08
3. Employer Share Social Security	\$ 43.09
3. Employer Share Medicare	\$ 10.08
5. Federal Income Tax	\$ 44.00
Total Federal Liability	\$ 150.34

Shortcut method = $(6.2\%+6.2\%+1.45\%+1.45\%) \times \text{SS wages} + \text{WH}$
 $= 15.3\% \times \text{SS wages} + \text{WH}$



Calculating Paychecks - Example

10. Federal Withholding Liability	
3. Employee Share Social Security	\$ 43.09
3. Employee Share Medicare	\$ 10.08
3. Employer Share Social Security	\$ 43.09
3. Employer Share Medicare	\$ 10.08
5. Federal Income Tax	\$ 44.00
Total Federal Liability	\$ 150.34

Shortcut method = $(6.2\%+6.2\%+1.45\%+1.45\%) \times \text{SS wages} + \text{WH}$
 $= 15.3\% \times \text{SS wages} + \text{WH}$

Shortcut method = $15.3\% \times 695.00 + 44.00 = 106.34+44.00 = 150.34$



Calculating Paychecks - Example

10. Federal Withholding Liability	
3. Employee Share Social Security	\$ 43.09
3. Employee Share Medicare	\$ 10.08
3. Employer Share Social Security	\$ 43.09
3. Employer Share Medicare	\$ 10.08
5. Federal Income Tax	\$ 44.00
Total Federal Liability	\$ 150.34

Shortcut method = $(6.2\%+6.2\%+1.45\%+1.45\%) \times \text{SS wages} + \text{WH}$
 $= 15.3\% \times \text{SS wages} + \text{WH}$

Shortcut method = $15.3\% \times 695.00 + 44.00 = 106.34+44.00 = 150.34$

Shortcut only works if SS & Medicare wages are the same



Calculating Paychecks - Example

10. Federal Withholding Liability	
3. Employee Share Social Security	\$ 43.09
3. Employee Share Medicare	\$ 10.08
3. Employer Share Social Security	\$ 43.09
3. Employer Share Medicare	\$ 10.08
5. Federal Income Tax	\$ 44.00
Total Federal Liability	\$ 150.34

10. State Withholding Liability

6. State Income Tax	\$ 31.00
Total State Liability	\$ 31.00



Calculating Paychecks - Problem

- Emerald (Em) Ployee
- Hourly rate of \$20.00
- Worked 46 hours
- Paid weekly
- Pays \$45.00 per paycheck for health insurance
- Contributes \$50.00 per paycheck to SIMPLE
- Pays \$60.00 per paycheck to reimburse employer for advance



Paying Payroll Liability - Kansas

- Payments must be made electronically
 - Phone 1-877-600-5640
 - Online www.webtax.org
- Payment frequency
 - Annual <\$ 200 liability
 - Due Jan 25th of the year following
 - Quarterly \$ 200-1,200 liability
 - Due 25th of the month following end of quarter
 - Monthly \$ 1,200-8,000 liability
 - Due 15th of the next month
 - Semimonthly \$ 8,000-45,000 liability
 - Due 25th of current month/10th of next month



Reporting



Reporting

- Federal – Annual
 - W2 Wage and Tax Statement
 - W3 Transmittal of Wage and Tax Statements
 - 943 Employer's Annual Federal Tax Return for Agricultural Employees
 - 940 Employer's Annual Federal Unemployment (FUTA) Tax Return (if applicable)



Reporting

- Kansas – Quarterly
 - K-CNS 100 Quarterly Wage Report & Unemployment Tax Return (if applicable)
 - Online or by mail
- Kansas – Annual
 - KW3 Kansas Annual Withholding Tax Return
 - W2 Wage and Tax Statement
 - Online only



Benefits



Benefits

- Non-taxable to employees*
 - Occasional meals if:
 - Provided for convenience of employer
 - Provided at the workplace
 - Housing if:
 - Furnished on your business premises
 - Furnished for your convenience
 - Furnished as a condition of employment
 - Employer provided health insurance
 - Employer provided cell phones
 - Employer contribution to retirement accounts

*Non-owner employees



Benefits

- Taxable to employees
 - Personal use of company owned vehicles



Benefits

- Retirement
 - Payroll Deduction IRA
 - Simple set up & maintenance
 - Employee contribution only
 - Maximum contribution \$5,500 (\$6,500 if > age 49)
 - Simplified Employee Pension (SEP)
 - Employer contribution only
 - Maximum contribution of 25% of salary or \$52,000 (2014)
 - Contribution rate can vary year-to-year
 - Must be provided to all eligible employees *including owner*



Benefits

- Retirement
 - Simplified Incentive Match Plan for Employees (SIMPLE)
 - Employer either match up to 3% of employee compensation
 - Employee can elect to defer up to \$12,000 (\$14,500 > age 49)
 - Must be provided to all employees with compensation \$5,000 or more



Benefits

- Retirement
 - 401(k)
 - Several types
 - Employer can contribute up to 25% of employee compensation
 - Employee can elect to defer up to \$17,500 (\$23,000 > age 49)
 - Maximum combined contribution of \$52,000
 - Must be provided to all employees over 21 who worked more than 1,000 hours in the previous year



Questions?

